

AN IMPACT ANALYSIS OF AUDIT REPORTS  
OF SELECTED FLORIDA PUBLIC  
COMMUNITY COLLEGES

By

HERMAN ROY ANDRESS

A DISSERTATION PRESENTED TO THE GRADUATE COUNCIL OF  
THE UNIVERSITY OF FLORIDA IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF  
DOCTOR OF PHILOSOPHY

UNIVERSITY OF FLORIDA  
1976



UNIVERSITY OF FLORIDA



3 1262 08552 7645

## ACKNOWLEDGMENTS

The writer wishes to express sincere appreciation to the many persons whose cooperation and assistance made this research possible. He is especially grateful for the skilled guidance given by Dr. James L. Wattenbarger, the chairman of his advisory committee. The helpful contributions of the other committee members, Dr. Ralph B. Kimbrough and Dr. Jordan B. Ray, are also deeply appreciated.

To the Florida public community college chief business officers whose participation made this study a reality, goes a special thank you.

Others who deserve thanks for their contributions are Mr. Alan J. Robertson, Mr. Joseph E. Dougheny, Mr. Thomas M. Baker, and Mr. Leo T. Hury.

No words of thanks can display the gratitude the writer feels for his wife, Cecilia, for her encouragement, assistance, and devoted love.

## TABLE OF CONTENTS

	<u>Page</u>
ACKNOWLEDGMENTS . . . . .	ii
LIST OF TABLES. . . . .	v
LIST OF FIGURES . . . . .	vi
ABSTRACT. . . . .	vii
 CHAPTER	
I INTRODUCTION. . . . .	1
Statement of the Problem . . . . .	4
Delimitations. . . . .	5
Limitations. . . . .	6
Definitions of Terms . . . . .	6
Procedures . . . . .	10
Selection of Participating Colleges . .	11
Obtaining Audit Reports . . . . .	11
On Campus Interviews. . . . .	12
Treatment of Data Gathered. . . . .	13
II REVIEW OF THE RELATED LITERATURE. . . . .	15
The Audit. . . . .	16
The Audit Report . . . . .	19
The Business Officer . . . . .	20
Financial Accounting . . . . .	25
Accountability . . . . .	27
The Nature of Change and the External	
Change Agent . . . . .	29
Conflict as a Result of Change . . . . .	31
Generalizations. . . . .	33
III THE AUDITING PROCESS AS IT RELATES TO GENERAL SYSTEMS THEORY. . . . .	35

## TABLE OF CONTENTS (Continued)

CHAPTER	<u>Page</u>
IV DATA OBTAINED FROM THE EXAMINATION OF AUDIT REPORTS. . . . .	45
Audit Report Classification of Adverse Comments. . . . .	46
Standard Audit Comment Classification of Adverse Comments. . . . .	49
Classification of Responses to the Adverse Comments. . . . .	52
Summary . . . . .	57
V INTERVIEW RESPONSES OF THE COMMUNITY COLLEGE BUSINESS OFFICERS. . . . .	60
Changes in Accounting Procedures. . . . .	61
Changes in Business Office Organization Structure . . . . .	63
Changes in Business Office Job Descriptions . . . . .	65
Increased Business Office Efficiency. . . . .	67
Audit Reports as a Tool of Management . . . . .	70
Audit Reports as Effective External Change Agents for Business Office Accounting Procedures. . . . .	72
Future Audits . . . . .	75
Relationship Between Adverse Comments and the Change Process. . . . .	78
Summary . . . . .	81
VI CONCLUSIONS, IMPLICATIONS, AND SUGGESTIONS FOR FURTHER STUDY. . . . .	84
Conclusions . . . . .	84
Implications. . . . .	89
Suggestions for Further Study . . . . .	92
APPENDICES	
A INTERVIEW GUIDE USED FOR ON CAMPUS INTERVIEWS WITH CHIEF BUSINESS OFFICERS . . . . .	94
B ADVERSE COMMENTS FROM THE NINE AUDIT REPORTS . . . . .	96
REFERENCES . . . . .	180
BIOGRAPHICAL SKETCH. . . . .	186

# LIST OF TABLES

<u>Table</u>		<u>Page</u>
4.1	Distribution of Adverse Comments According to Audit Report Classification. . . . .	47
4.2	Distribution of Adverse Comments According to Standardized Audit Comments. . . . .	50
4.3	Distribution of Responses to the Adverse Comments . . . . .	53
5.1	Responses of Chief Business Officers Concerning Changes in Accounting Procedures as a Result of 1973-1974 Audit Reports. . . . .	62
5.2	Responses of Chief Business Officers Concerning Changes in Business Office Organization Structure as a Result of 1973-1974 Audit Reports. . .	64
5.3	Responses of Chief Business Officers Concerning Changes in Business Office Job Descriptions as a Result of 1973-1974 Audit Reports. . . . .	66
5.4	Responses of Chief Business Officers Concerning More Efficient Functioning of Their Business Offices as a Result of 1973-1974 Audit Reports .	68
5.5	Responses of Chief Business Officers Concerning Top-Level Administrators' Use of Audit Reports as a Tool of Management . . . . .	71
5.6	Responses of Chief Business Officers Concerning the Effectiveness of Audit Reports as External Change Agents. . . . .	73
5.7	Distribution of Adverse Comments and Their Tendency to Influence Change . . . . .	79

## LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
3.1	Basic Control Cycle . . . . .	37
3.2	Auditing Process. . . . .	37
3.3	Feedback Loop in a System . . . . .	42
3.4	Feedback Loop in a Business Office. . . . .	42

Abstract of Dissertation Presented to the Graduate Council  
of the University of Florida in Partial Fulfillment of the  
Requirements for the Degree of Doctor of Philosophy

AN IMPACT ANALYSIS OF AUDIT REPORTS OF SELECTED  
FLORIDA PUBLIC COMMUNITY COLLEGES

By

Herman Roy Address

December, 1976

Chairman: James L. Wattenbarger

Major Department: Educational Administration & Supervision

The purpose of this study was to determine whether the 1973-1974 audits of the Auditor General of selected Florida public community college business offices were effective as (1) external change agents for business office operations and (2) tools of management used to minimize conflict resulting from change.

One institution was selected at random from each of the nine audit divisions for public community colleges, and through the cooperation of the Bureau of Fiscal Administration, Division of Community Colleges, Tallahassee, Florida, and the Auditor General's office, Gainesville, Florida, copies of the 1973-1974 audit reports were obtained. An examination of the adverse comments found in the audit reports was then made, and these comments were grouped according to subheadings found in each of the audit reports.



The intent of the examination of audit report comments was to measure the effectiveness of audit reports as an external change agent for business office accounting procedures; to determine the nature of the adverse findings; and to identify the area of responsibility within the business office in which the discrepancies occurred.

Audit reports show each adverse comment classified according to one of twelve standard subheadings. Those comments classified under the subheading of Expenditures comprised 21% of the total discrepancies, followed by those under Auxiliary Fund with 16%. No adverse findings were made in the Debt Service Fund classification, and those classified under Budgets account for only 1% of the total.

Other concepts of interest were disclosed by additional analysis. One college's audit report revealed that 38% of its discrepancies were classified as Expenditures, while only 6% of another college's discrepancies were found in this classification. One college was responsible for 20% of the total adverse comments, and another college was responsible for only 4% of the total.

The adverse findings were also classified according to standard audit comments, as found in The Audit Program, a handbook used by the auditors. Adverse comments classified

as violations of Procedures, Policies, and Internal Control comprised 55% of the total. Violations of Rules of the State Board of Education are second at 15% of the total, while violations of American Council on Education recommendations and violations of College and University Business Administration recommendations each contributed only 1% to the total.

A classification of responses to the adverse comments by the nine college presidents revealed that 57% of the total adverse comments were responsible for changes in business office operations. Another 12% of the comments resulted in partial changes, making a total of 69% of all adverse comments which brought about changes or partial changes.

After examination of the audit reports, in-depth interviews were conducted with the chief business officers of the nine selected colleges. An interview guide was developed to assist in measuring the extent of changes resulting from the audit reports in the following areas: business office accounting procedures; organization and structure of the business office; job descriptions; and business office efficiency. In addition, the chief business

officers were asked to indicate whether the presidents and other top-level administrators of their colleges responded to the audit reports by the use of audit reports as tools of management.

The findings showed that five of the nine business officers were of the opinion that audit reports were a stimulus for change in business office accounting procedures. Only one of the nine business offices had a change in its organization structure and only two had job description changes. Three of the nine reported increased efficiency in business office operations, and three replied that their top-level administrators view audit reports as effective tools of management.

## CHAPTER I

### INTRODUCTION

The intent of this study was to determine whether the 1973-1974 audits of the Auditor General of selected Florida public community college business offices were effective as (1) external change agents for business office accounting procedures and (2) tools of management used to minimize conflict resulting from change. In accomplishing this task, it is hoped that the results of the research will serve as a common denominator not only for those now in positions of chief business officers, but also for future business officers and their staffs. A study that brings together common audit discrepancies and subsequent changes in accounting procedures may provide some insight into ways in which all Florida public community colleges might improve their future audit reports.

Legislative mandate requires that Florida's 28 public community colleges submit to a biennial compliance audit conducted by the Office of the Auditor General of the

State of Florida. If one views the network of Florida's community colleges as a system, then the audit can be considered a process of control aimed at assuring that the business activities of the individual colleges--or subsystems--are being administered as prescribed by the Division of Community Colleges--a suprasystem.

Where the performance of the individual college is in accordance with the Accounting Manual for Florida's Public Junior Colleges, 1968, it can be said that this subsystem is in equilibrium with the suprasystem. Where it is not, there is a disequilibrium and conflict.

If there is conflict, there are pressures for change. Gibson, Ivancevich, and Donnelly (1973) classified these forces into two groups, external and internal. Bennis (1966) has stated that significant change depends on the impetus generated by an external agent. It is argued that "only a skilled outsider-consultant can provide the perspective, detachment, and energy so necessary to affect a true alteration of existing patterns" (pp. 114-115).

Was the 1973-1974 audit such a change agent? Did it serve to resolve conflict and establish equilibrium among selected subsystems of the Division of Community Colleges?

If not, what prevented the changes recommended by the various audit reports? Answers to these questions can be found in later chapters of this study.

A community college business office is unique in that it differs significantly from both a public school business office and a university business office. Being a political subdivision of the State of Florida, the community college differs in basic philosophy and role and scope from those of other state supported educational institutions. Business offices in the private sector are only remotely comparable to the community college business office.

The researcher's interest in this study is a result of having been employed for a period of eight months as an accountant in a Florida public community college business office. Additionally, to the best of the researcher's knowledge, this is the first attempt to research Florida public community college audit reports, and thus contributes to the knowledge and literature on the subject.

The research in this study involves an analysis of selected adverse comments listed in the audit reports of the participating colleges. Responses to these comments by the presidents of the colleges clearly indicate what

changes in business office accounting procedures, if any, were made subsequent to the audits. In addition, personal interviews were made with each of the chief business officers in order to acquire further insight into the effectiveness of the audit as an external change agent. The personal interview also helped significantly in determining how the audit report is used as a tool of management to (1) effect change, (2) reduce conflict, (3) eliminate disequilibrium, and (4) improve future audit reports.

#### Statement of the Problem

The focus of this investigation was to identify changes which have taken place in selected Florida public community college business offices subsequent to the 1973-1974 audit examinations conducted by the Office of the Auditor General. Specifically, answers to the following questions were sought:

1. What changes in business office accounting procedures were a direct result of the 1973-1974 audit reports?
2. What changes in business office organization structures were a direct result of the 1973-1974 audit reports?

3. What changes in business office job descriptions were a direct result of the 1973-1974 audit reports?
4. Do these business offices function in a more efficient manner as a result of the 1973-1974 audit reports?
5. Do top-level administrators at these colleges view audit reports as effective tools of management?
6. Do the chief business officers at these colleges view audit reports as effective external change agents for business office accounting procedures?

#### Delimitations

This study was confined as follows:

- (a) One public community college was selected at random from each of the nine audit divisions within the State of Florida.
- (b) Information was gathered from a review of the nine 1973-1974 audit reports on file in the offices of the Division of Community Colleges, Department of Education, Tallahassee.
- (c) Information was gathered from personal interviews with the nine chief business officers by use of a structured interview guide.



### Limitations

This study, being ex post facto in design, is limited because a specific cause and effect relationship cannot be shown. It is also limited in the number of colleges and individuals participating and, thus, generalization beyond these participants is speculative.

Because nine different audit divisions are involved, nine different audit teams have prepared the audit reports. This may in fact be a weakness in that uniformity is not insured, but it could also be considered a strength in that breadth of scope of perception is assured.

### Definitions of Terms

Accounting procedures. Those designed to fulfill the requirements of generally accepted governmental accounting principles and practices and good internal control and in keeping with generally accepted accounting forms, accounts, records, methods, and practices relating to colleges and universities.

Audit. The examination of documents, records, reports, systems of internal control, accounting procedures, and other information to determine the propriety, legality, and arithmetical accuracy of transactions to ascertain whether

all transactions have been recorded and to determine whether transactions are accurately reflected in the accounts and in the financial statements drawn from them in accordance with generally accepted accounting principles.

Balance sheet. A statement showing the financial position of an institution at a given time, disclosing assets, liabilities, and fund balances. In college accounting the balance sheet should set forth the assets, liabilities, and fund balances of each fund group in balanced sections.

Budget. A statement of proposed expenditures for a fixed period or for a specific project, or program, and the proposed means of financing the expenditures. When approved by the proper authorities, budgets are authorizations to incur the expenditures and to collect and apply the revenues as set forth therein.

Change. A difference in the administration of financial operations of the college as prescribed by the Rules of the State Board of Education and the Accounting Manual for Florida's Public Junior Colleges, 1968.

Chief business officer. The college official who is directly responsible for the financial operations, budget, physical plant, nonacademic personnel, purchasing,

auxiliary enterprises, and other functions as determined by his job description.

Compliance audit. An audit with findings and recommendations limited to comments on the compliance with applicable laws and regulations, verification of assets, errors in accounting, and whether major policies and procedures are controlled by the Board of Trustees.

Conflict. Sharp disagreement or opposition, as of the vested interests and ideas of chief business officers and Legislative auditors.

Current funds. Funds expendable for current operating purposes, either unrestricted or restricted. This term is not synonymous with current assets as used in commercial accounting.

Disbursements. Payments in cash. In institutional accounting it refers primarily to deductions from the balances of the funds and all fund groups except the current fund group, where the term expenditures is used.

Educational audit. An institutional objectives approach to management by objectives by means of statistical reporting of measurable output and cost figures for courses and programs.

Encumbrances. Obligations incurred in the form of orders, contracts, and similar items that will become payable when goods are delivered or services rendered.

Feedback. Information concerning the outputs or the process of the system, which could lead to changes in the process and/or future outputs.

Independent audit. An audit performed by an independent auditor, in contrast to an audit performed by an internal auditor on the institution's staff.

Operational audit. A systematic review of and evaluation of an organization, or subunit thereof, made with the purpose of determining whether the organization is operating efficiently. It is, in effect, an organized research for efficiency-related problems within the organization, from the viewpoint and perspectives of management.

Plant. The physical property owned by an institution and used for institutional purposes, i.e., land, buildings, improvements other than buildings, and equipment.

Political subdivision. A separate agency or unit of local government created or established by law.

Public community college. An institution supported by public funds and governed by a publicly appointed board,

which offers courses and/or programs limited to the first two (2) years of postsecondary education in at least two of the following areas: transfer, occupational-technical, and community service.

Restricted current funds. Funds expendable for operating purposes but restricted by an outside agency or person as to use.

Standard. A desired level of performance.

State agency. A separate agency or unit of state government created or established by law.

System. A complex of elements in mutual interaction, e.g., the Florida system of public community colleges.

Unexpended plant funds. Funds specified by external sources or designated by governing boards for the acquisition or construction of physical properties to be used for institutional purposes.

### Procedures

The procedures section is divided into subsections describing (1) the selection of the participating Florida public community colleges, (2) obtaining and examining audit reports, (3) on campus interviews with chief business officers, and (4) treatment of data gathered from

examinations of audit reports and from interviews with chief business officers.

#### Selection of Participating Colleges

One institution was selected at random from each of the nine audit divisions for public community colleges within the State of Florida, and a letter was mailed to each of their chief business officers asking for cooperation in making this study possible. If for any reason a college was unable to participate, another within the same audit division was selected at random.

#### Obtaining Audit Reports

Audit reports for all Florida public community colleges are on file at the Department of Education, State of Florida, Tallahassee. The researcher communicated with Thomas M. Baker, Chief, Bureau of Fiscal Administration, and Kenneth C. Jarrett, Consultant, Fiscal Affairs, and both agreed to assist in any way possible. During examination of the audit reports of the nine participating colleges, adverse comments by the auditors were noted, plus other unusual and/or significant comments which, in the researcher's opinion, could enhance the value of the study. Adverse comments are grouped under each of the following headings:

1. Fiscal Management
2. Budgets
3. Revenue
4. Expenditures
5. Educational and General Funds
6. Auxiliary Fund
7. Loan Fund
8. Scholarship and Endowment Fund
9. Agency Fund
10. Unexpended Plant Fund
11. Debt Service Fund
12. Invested in Plant Fund

#### On Campus Interviews

After examining the audit reports the researcher visited the campuses of each of the nine colleges for an in-depth interview with each of the nine chief business officers. An interview guide (Appendix A) was developed specifically to obtain information in the following categories:

1. Changes in business office accounting procedures which have taken place subsequent to the 1973-1974 audit reports.

2. Changes in accounting procedures, which in the opinion of each of the chief business officers, were a direct result of the 1973-74 audit reports.
3. The perceived influence of audit reports as:
  - (a) External change agents.
  - (b) Tools of management.
4. Ways in which future audit reports can better serve Florida's public community colleges.

#### Treatment of Data Gathered

The analysis of data gathered from an examination of the nine audit reports has been interpreted in such a way as to arrive at the most frequently identified adverse comments under each major heading. Responses from interviews with the nine chief business officers have been segregated according to the manner in which each chief business officer reacted to the list of preliminary and tentative adverse audit findings submitted to the presidents of the nine participating colleges by the Auditor General subsequent to the 1973-1974 audit. Further analysis of data includes changes in business office accounting procedures subsequent to the audit reports and the relationship, if any, of the changes with the reports. The



significance of the audit report as an external change agent and as a tool of management has been evaluated at this point, followed by suggestions as to how future audits can better serve the community college system.

Neither the names of the participating colleges nor their chief business officers will be revealed in this study.

## CHAPTER II

### REVIEW OF THE RELATED LITERATURE

A review of the literature contained herein will concentrate on audits of college and university business offices, but will not be limited to the audit itself. In order to develop a thorough understanding of the audit, further emphasis must be placed on the total function of the business office and its relationship to the audit as an external change agent and as a tool of management. The topical outline is organized as follows:

1. The Audit
2. The Audit Report
3. The Chief Business Officer
4. Financial Accounting
5. Accountability
6. The Nature of Change and the External Change Agent
7. Conflict as a Result of External Change

### The Audit

In determining the relationship of accounting procedures and external audits, a workable definition of the audit must be presented. McMickle and Elrod (1974) wrote

Auditing is an analytical process consisting of preparation, conduct (examination and evaluation), reporting (communication), and settlement. The basic elements of this process are: an independent, competent, and professional auditor who executes the process upon an auditee for an audit recipient. The scope or area of concern can involve matters of the following nature: financial (accounting error, fraud, financial controls, fairness of financial statements, etc.), and/or compliance (faithful adherence to administrative and legal requirements, policies, regulations, etc.), and/or performance (economy, efficiency, and/or effectiveness of operational controls, management information systems, programs, etc.). The objective or purpose of auditing can be some combination of accountability and management control. (p. 34)

Most definitions of auditing attempt to provide answers to four frequently asked questions: Why, What, Who, and How? Every auditor, auditee, and audit recipient should know the answers to these questions.

In describing the audit, Russell (1967) wrote

The primary purpose of the audit is to provide assurance to those responsible for the ultimate control of the institution that the finances have been handled exactly as reflected in the accounts and reports. To this end not only should the audit test the accuracy of the bookkeeping itself but it should determine whether all income received was actually entered in the accounts, whether all the expenditures recorded were actually made after being duly authorized,

whether the liabilities are completely and correctly indicated. (pp. 108-109)

Auditing, as it is known today, is not the same as it was 500 years ago, or even 20 years ago. The evolution of auditing has accelerated rapidly during the last century. Prior to 1900 auditing was concerned principally with detection of fraud, but in the 20th century the direction of auditing has turned toward a new goal of determining whether financial statements give a fair picture of financial position, operating results, and changes in financial position (Meigs, Larsen, & Meigs, 1973).

In discussing the evolution of the audit, Brown (1905) wrote

The origin of the audit goes back as far as 2,000 B.C., when the Egyptians employed a type of checking process. Money was unknown at that time and a barter economy existed. This system necessitated a large number of government storehouses for the keeping of the royal treasury. Shipments in and out of the storehouses were carefully controlled. For example, when grain was to be carried to a storehouse, each sack was filled in the sight of an overseer; and noted and recorded by a scribe. When the grain was delivered to the storehouse, a scribe stationed there recorded the amount received. Thus, the activities of one man were checked--and, in a sense audited--by another. (p. 74)

An audit can be used in any manner the auditee wishes. Furthermore, an audit need include only those parts of the

accounting system that management wishes to have inspected. For example, only revenue and expenditure items can be checked and verified. In another situation only liabilities could be tested. A college business officer may want to make the audit part of his closing procedure at the end of the fiscal period. Many would question whether the audit should serve as a bookkeeping function. Jordan (1969), addressing himself to the topic of audits wrote, "When the audit is conducted by representatives of a state agency, the nature of the audit will be determined by that agency" (p. 157). In summarizing audits, Russell (1967) wrote

Whatever else the audit does, it must present a truthful picture of the financial situation of the institution. An audit without this basic quality of truthfulness is worse than useless; it is positively dangerous. Unfortunately, even a certified public accountant has been known to be induced to present an untruthful audit. Any officer of the college who stoops to bring pressure in this direction, even if he believes that for the moment such an action is in the best interests of the institution, is guilty of a serious breach of the faith that has been reposed in him by the constituency. Such an action is almost certain not to prove of ultimate benefit to the institution, for in the long run nothing is gained by attempting to conceal the true financial situation of the institution from those responsible for its control and maintenance. (p. 113)

### The Audit Report

Upon completion of the audit examination an auditor writes a report stating the results of the examination. The audit report has been described by Silvos and Bauer (1965) as follows:

Normally all of the audit procedures undertaken in a particular engagement are designed to enable an auditor to express his opinion concerning the financial statements under examination. Thus, the report of the auditor is the focal point of audit procedures. It is the major public evidence of the services performed by the public accounting profession and is relied upon whenever business decisions are based on financial statements. Therefore, it is evident that the report must be clear, concise, and reliable. Important qualifying or explanatory material must be stated in a manner that creates the clearest possible understanding in regard to the financial status and results of operations of the entity under examination. Any omission or deviation from generally accepted auditing standards must be indicated in the report.

(p. 4)

The form of the audit report issued by the Office of the Auditor General upon examination of accounts and records in a Florida public community college business office will not be exactly the same as the audit report submitted to a commercial enterprise by an independent auditor. However, the essence of the audit report, the expression as to whether the statements fairly present what they purport to present, should be the same regardless of whether the audit deals with a public or a private institution.

Brasseaux and Miles (1972), in discussing the audit report, wrote

The auditor's report is the culmination of the audit. It is the most critical part of the audit process for it is the visible representation on which outsiders will rely. Thus, the report must convey clearly the scope of the work done and the responsibility assumed by the auditor regarding the fairness of financial statements. Each audit involves gathering evidence about the client's financial statements through whatever means the auditor deems appropriate or necessary. Once the evidence has been assembled, the auditor must sift and weigh that evidence with professional care. He must bring to bear his professional judgment and experience to draw the appropriate conclusions from the evidence he has accumulated. This complex decision-making process carries a very high degree of responsibility. (p. 3)

The auditor then communicates with the auditee and the audit recipient by means of the audit report. In the case of the Florida public community college, the auditor also communicates with taxpayers and various elected and appointed state officials.

#### The Business Officer

The person in whose hands can be found primary responsibility for overall financial operation of the college is the chief business officer. Although the president is charged with total responsibility for the college, he (president) will normally know little of such a technique as accounting, and will not interfere with an expert in this line.

The 1969-1970 fiscal year was the first that Florida's public community colleges were audited as an entity separate from the public schools. This resulted from the 1968 law which established separate community college districts. The Florida public community college business office has been in existence only briefly when compared to the public schools and universities. The Florida public community college business officer has had a relatively short period of time in which to learn the peculiarities of his duties and responsibilities.

The actual functions normally assigned to a Florida public community college chief business officer may vary through the state due to location and enrollment size, but chief business officers would be expected to carry out most of the following duties:

1. Financial accounting
2. Assistance in the preparation of the annual budget
3. Internal auditing
4. Property control
5. Preparation of financial reports
6. Expenditure of college funds
7. Collection of revenues



8. Financial relations with students
9. Management of investments
10. Purchasing
11. Employment of career service personnel
12. Management of auxiliary services
13. Supervision of the physical plant

The list of essential and desirable characteristics of a chief business officer could be quite extensive. According to the American Council on Education (1973) the principal qualifications needed by a college business officer are as follows:

In addition to special training, a position of responsibility in college and university business management calls for certain personal qualities. Among these, honesty and integrity are, of course, first. In close succession follow the qualities of tact, ability to cooperate, congeniality, and business judgement. There must then be added the essential qualities of untiring industry, initiative, and resourcefulness. An institutional business officer has contacts with a wide variety of persons. He is in contact with the members of the academic organization, with boards of trustees made up chiefly of business and professional men, with business concerns, students, and alumni. If he is in a public institution he must have contact with members of the state legislature and with state and federal officers. A wide variety of problems and personalities present themselves in rapid succession. (p. 10)

The rapid growth of Florida public community colleges has created a need for specialists within the business office. The management and administration of the various categories of responsibility make proper training of the chief business officer more important than ever before. College and University Business Administration (1968) stated

The chief business officer cannot be a specialist in all the operations for which he is responsible. He must be aided by staff members with professional training and experience in the various divisions into which the business and financial operations of the institution are organized. The main divisions of such operations are characteristic of all educational institutions regardless of size and the complexity of their objectives, programs, and organization. (p. 12)

The development of advanced office systems technology has allowed the business office to assume many new roles. Elmore (1970) wrote

Few can argue with the fact that the business office today is the chief source of fiscal advice not only to the president, but also to the governing board. We have graduated from bookkeepers to managers with, in most cases, responsibilities and opportunities for service broader in scope than our brothers in business. Centralized purchasing and personnel departments are coping with a volume of state and federal regulations that stagger the imagination.

Sophisticated boards and legislatures are demanding modern systems and business programs, including planned program budgeting and planning models. The role of our institutions in educating vast numbers of students, in community affairs, and in research, has forced the business office to employ the most up-to-date advances in the areas of computers and business equipment. Our physical plant, with its laboratories, air conditioning, and problems connected with vehicle parking, traffic control and power distribution requires the highest managerial and engineering skills. Finally, and of greatest importance, the business office has the responsibility for creating an economic climate and a service organization that will assist the institution in the fulfillment of its academic goals. (pp. 3-4)

Scheps and Davidson (1971) concurred in stating

The internal organization of the business office has a direct bearing on the adequacy of the accounting system. An accounting system however scientific does not operate itself. Accounting personnel however competent and well trained cannot operate at peak efficiency without carefully planned internal organization which clearly fixes responsibilities, eliminates duplications, and avoids vacuums in the operations of the business office. (p. 25)

As Florida public community college business offices grow in size and complexity, so does the importance of the biennial audit by the Office of the Auditor General as a means of insuring adherence to the Accounting Manual for Florida's Public Junior Colleges.

### Financial Accounting

The preparation of the annual financial report is the responsibility of the chief business officer. The report ordinarily includes the balance sheet, statement of changes in fund balances by fund groups, and the statement of current funds revenues, expenditures, and transfers. The report may also include other schedules which supplement the three primary statements.

In defining financial reports, College and University Business Administration (1968) states

The financial report of a college or university is a summary of financial information covering the operation of the institution for a period of time and showing its financial position at the end of that period. Colleges and universities are the recipients of a variety of kinds of revenues: those that may be expended for general institutional operations; gifts, appropriations, endowment funds income, and other revenues that must be expended only for restricted current purposes; and funds that must be kept intact and invested, with only the income available for expenditures. Educational institutions function as owners, operators, and trustees. Their financial reports, therefore, must deal not only with receipts and disbursements of other fund groups and with the principal and balances of funds. (p. 16)

There can be no questioning the fact that financial accounting as it is practiced in colleges and universities is a highly specialized area of endeavor. Chambers (1968), in discussing college and university accounting, wrote

Accounting is an exacting profession. Mastery of its technicalities requires years of study and practice. College and university accounting is a specialized branch, or might perhaps better be called a separate profession. This is because the main body of accounting knowledge and techniques has been developed for use in business wherein the dollar profits or losses usually quickly determine the fate of the enterprise; whereas in higher education nearly all the institutions are either public or private corporations, in whose operation monetary gains to private individuals are interdicted. (p. 49)

The chief business officer must see to it that the accounting system of the institution is adequate. Wattenbarger (1972) wrote, "the development of soundly based record keeping systems is essential. When the chief fiscal officer learns to carry out this responsibility with a high degree of skill, he will make his most important contribution" (p. 284). In carrying out this responsibility the requisites of the accounting system must be considered. In this regard, Russell (1967) stated, "Three general characteristics are requisite to a satisfactory accounting system: (1) the system must safeguard the funds of the institution; (2) it must yield the information that is necessary for administrative control; (3) it must be as simple as possible" (p. 50).

A satisfactory accounting system is necessary to achieve many desirable goals. Miller, Madden, and Kincheloe (1972) wrote

Accurate accounts serve several purposes: (1) They represent a prudent control upon public funds. Such accounts, accurately audited periodically, give assurance that public servants handling the funds have done so honestly in accordance with the will of the people and the laws of the state. (2) They also serve as a protection to the custodian of funds, for he has objective proof of his faithful performance whenever he may be challenged. (3) Such accounts provide the basis for reporting to the public on the condition of the schools and their needs. They provide the basis for filling out reports to the state or to federal agencies entitled to such information. (4) Accurate accounts provide the basis for analyzing the business practice with an eye to making improvements in it. (p. 319)

### Accountability

The audit and the audit report are parts of the total system of accountability. In attempting to arrive at a workable definition of accountability, Kohler (1970) stated

The obligation of evidencing good management, control, or other performance imposed by law, agreement, or regulation, as on corporate executives, trustees, public officials, and other persons controlling the financial policy of an organization or the deposit, investment, or disposition of funds. In the interest of maintaining good human relations and earning public confidence, many persons in positions of responsibility voluntarily explain their conduct of affairs to others interested and to the public generally, this practice often acquiring the force of custom. (p. 6)

Public confidence in public education is a matter of increasing importance to educators. Administrators should welcome the opportunity to undergo an external audit. The

audit should not be considered a weapon to be used by persons or agencies who seek to damage an institution of higher education. The audit serves a useful purpose; it is a tool of management which can be used for the good of the institution. Audits and accountability are characteristic of the society in which we live. Roueche, Baker, and Brownell (1971) stated, "accountability is nothing more than a commonly accepted ethic that we expect from other professions and enforce by regulations in many segments of our society. Education's acquired right to control the processes of our schools rests upon a willingness to meet the needs of public clients" (p. 6).

If educators are willing to look upon accountability as an opportunity to restore public confidence in education, the true purpose of audits can thus be realized. Roueche et al. (1971) further stated "accountability implies that two-year colleges must be accountable externally to the community" (p. 8). Allen (1972) observed "the people have a right to be assured that . . . increasingly large investments in public education . . . will produce results" (pp. 3-4). Lessinger (1972) stated "the American education system today is experiencing the most sustained, diverse,

widespread, and persistent challenge ever to confront it. Virtually everyone agrees that something has gone wrong, that corrective action is needed" (p. 4).

The corrective action to which Lessinger alludes can be benefited greatly by a proper acceptance of external audits and the concept of accountability.

#### The Nature of Change and the External Change Agent

Change is essential if one is to plan for the future. Yet, one cannot completely predict the future of an organization by knowing its present state because [most] organizations are open systems and therefore are continually influenced by--and are in turn influencing--their environment (Bertalanffy, 1962).

Pressures for change affect people and the organizations in which they work. These pressures can create problems, which, unless resolved, can bring about chaos and confusion--because change requires adjustments to be made if needs are to be met (Morphet et al., 1959).

Major obstacles to change include the habits, attitudes, precedents, and belief systems of people, and as Gardner (1963) wrote, "they are among the most powerful forces



producing rigidity [in organizations] and diminishing capacity for change . . . these are the diseases of which organizations and people die" (p. 53).

Because of resistance to change, the process of planned change often involves a change agent, brought in to help a client system, which refers to the target of change. The change agent, in collaboration with the client system, attempts to apply valid knowledge to the client's problems (Bennis, 1966).

Often the client-system holds well-established views of itself, which are hard to change. Yet they must be changed if any lasting improvement is to occur. The change agent must assess the client's readiness to enter into a helping relationship, and he must determine whether or not the client possesses sufficient motivation and capacity to hold up its end of the partnership. The change agent's ideas about how to help with change are intimately bound up with his diagnosis of why the client system got into difficulty in the first place (Lippitt, 1958).

### Conflict as a Result of Change

The audit, as an external change agent, may create conflict.

The very fact of change creates two types of problem: (1) Less can be left to routine; careful planning, deliberate orders, and elaborate communications are essential. Since personal experience and tradition are less valued, there is a correspondingly greater need for rules and regulations. (2) People normally resist change, particularly when it is imposed on them. Consequently, the problems of motivating people to work together have grown more complex. (Sayles & Strauss, 1966)

Boulding (1962), in developing a general theory of conflict, observed that conflict is an activity that is found almost everywhere:

Economics studies conflicts among economic organizations; political science studies conflict among states and among subdivisions and departments within larger organizations; sociology studies conflict within and between families, racial and religious groups, and conflicts within and between groups; anthropology studies conflict of cultures; psychology studies conflict within the individual; history is largely the record of conflict; and conflict is an important part of the specialized study of industrial relations, international relations or any other relations. (p. 1)

Butler (1969) related control systems to conflict when he wrote

The conflict of an individual with an organization frequently stems from the various control devices which hierarchical superiors employ to impose their will and image on subordinates. An important example of these control mechanisms is the budget, the planned schedule of disbursements for various purposes

within a given time. If hierarchical superiors disapprove of subordinate activities, a threat to cut off resources is an effective method of control. A closely related method of control is the right to hire and fire. Another important part of a control system is the audit which supplies information about the organization through an outside agency rather than through the hierarchy or its own stuff. (p. 296)

If one is willing to accept the position that conflict as a result of resistance to change is inevitable, then an objective should be to seek ways to resolve this conflict. According to Gorton, compromise is the key to conflict resolution. When two or more parties are in dispute, one or more of them must be willing to compromise their differences in order to resolve the conflict successfully. As long as no one is willing to modify his position, then conflict cannot be resolved (1972). Bennis suggested that adaptability may be the key to resolving conflict. If change has now become a permanent and accelerating factor in American life, then adaptability to change becomes increasingly the most important single determinant of survival (1966).

In regard to the end of conflict, Butler (1969) stated

Conflict itself does not end, for conflicts are continually being recreated; however, each particular conflict can be viewed as having a life cycle; it is conceived and born, it lives for a

time, and then dies, perhaps as a result of certain processes which are probably inherent in its own dynamic system. Resolution is only one way of terminating conflicts, and it may not always be clear which of the alternative methods for terminating conflicts should be called "resolution." Within organizations as well as between organizations, the successful resolution of conflicts almost always involves a combination of unilateral and organizational methods. Unless an organization has peacemakers inside it, that is, persons who are capable of unilateral conflict resolution, it is unlikely to operate successfully. On the other hand, an organization which lacks an adequate apparatus for resolving conflicts will place too much of a burden on the peacemakers, and may allow itself to be destroyed by factional dispute. (p. 320)

#### Generalizations

Based on a review of the literature, the following opinions appear to be valid:

1. The need for audits is as old as recordkeeping itself.
2. Accounting for public institutions is significantly different than accounting for private business.
3. There is a useful purpose served by audits of Florida public community college business offices.
4. The rapid growth of Florida's public community colleges has greatly increased the complexity of the functions of the business office.

5. The chief business officer should be a well-trained specialist.
6. Audits and audit reports are a part of the concept of accountability.
7. The process of planned change often involves a change agent.
8. The process of planned change, together with a change agent, often creates conflict within an organization.

### CHAPTER III

#### THE AUDITING PROCESS AS IT RELATES TO GENERAL SYSTEMS THEORY

The purpose of this chapter is to conceptualize the auditing process as an agent for change and as a source of conflict. This examination will follow along lines suggested by the theories of general systems, change, and conflict. The intention is to provide not only a structural design of the auditing process but also to allow for a model against which the dynamics of the auditing process and the data in this study may be interpreted.

The purpose of general systems theory is to create a science using common elements found in all systems as a starting point. It seeks to identify those general system laws which will apply to any system of a certain type, irrespective of the particular properties of, or the elements involved in, the system (Millman, 1962).

The auditing process is a form of control usually by one system over another, such as control by the Division of Community Colleges over each of the 28 public community.

colleges. Structurally this can be visualized as suggested by Kast and Rosenzweig (1970) and as shown in Figure 3.1. The auditing process is shown as a form of control because the process is as Litterer (1965) stated "concerned not only with events directly related to the accomplishment of major purposes but also with maintaining the organization in a condition in which it can function adequately to achieve these major purposes" (p. 528).

Figure 3.1 is an illustration of a basic control cycle showing how control can take place as a result of comparing actual performance with predetermined standards of performance.

An adaptation of this design to fit the demands of this study is shown in Figure 3.2. A comparison of Figures 3.1 and 3.2 will show how the auditing process, through the use of performance standards, serves as a form of control.

The cycle of events a business office experiences from the start of the audit to the point where corrective action is taken or resistance is offered can be compared to the steps seen in the basic control cycle. There is a data-gathering device generally referred to as a sensor, but in this situation called the audit. Then follows an

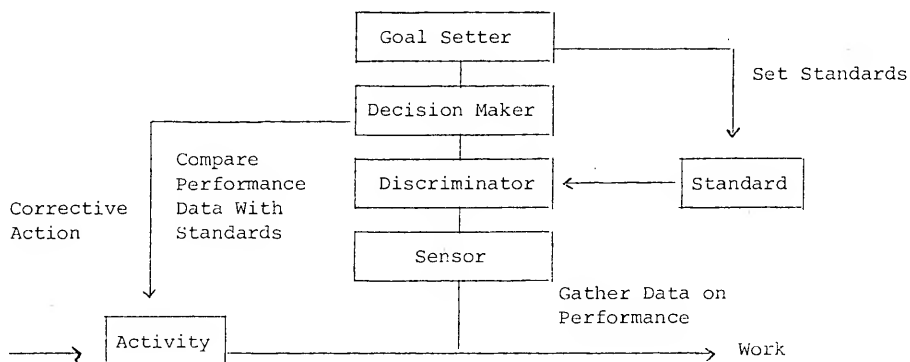


Figure 3.1 Basic Control Cycle

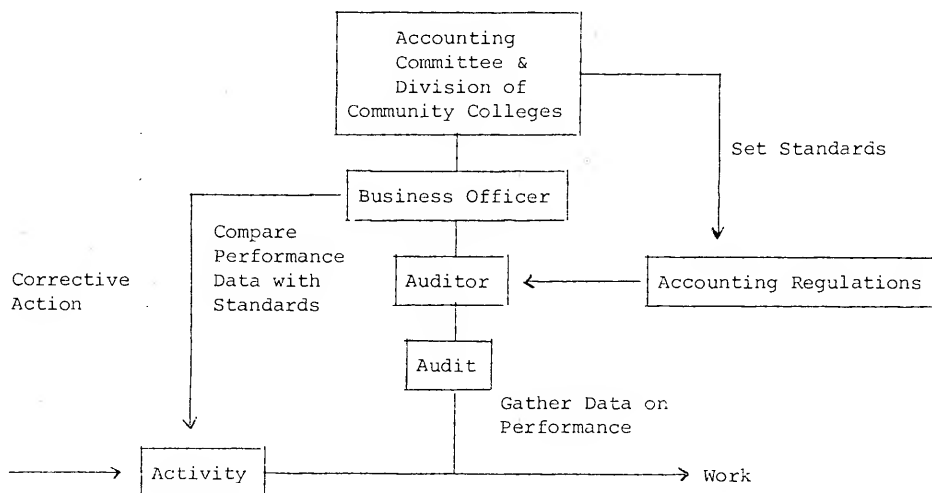


Figure 3.2 Auditing Process



examination phase, where actual performance is compared with expected performance by a unit referred to as a discriminator (audit). After comparison has taken place, a decision is made regarding whatever action is to be taken. The decision maker is the college's chief business officer, who must compare standards (accounting regulations) with the gathered data on performance (audit report), and take corrective action when and where it is needed.

It is at the decision making step that conflict is most likely to appear. In the case of the community college audit, there is little or no probability that a standard will be adjusted immediately following the point in the cycle at which performance data were compared with standards--the reason being the time factor involved in changing an accounting regulation. Changes in public community college accounting regulations are made as a result of a joint effort involving an accounting committee comprised of community college business officers and the Office of Fiscal Affairs in the Division of Community Colleges.

Where there are standards of performance, one tends to find a control system. The auditing process is a form of postcontrol, which occurs when there is an effort to check

on whether events did come out as desired. For example, the business officer checks to see whether fund balances were maintained at desired levels as of the end of the fiscal year. Postcontrol is checking after the fact and does not permit corrective action to take place in regard to past performance. However, it does allow the business officer an opportunity to evaluate the system and adjust for future audits.

The business officer may choose not to adjust, and allow conflict to occur. Suggestions made by the auditors at the time of the audit, and adverse comments appearing in the audit report, may be ignored. There can be many reasons for allowing conflict to take place. Among these are (1) lack of funds to staff properly the business office, (2) lack of confidence in the auditors, (3) lack of confidence in the accounting regulations, and (4) tradition and vested interests. Gardner (1963) wrote

As an organization matures it develops settled ways of doing things and becomes more orderly, more efficient, more systematic. But it also becomes less flexible, less innovative, less willing to look freshly at each day's experience. Its increasingly fixed routines are congealed in an elaborate body of written rules. In the final stage of organizational senility there is a rule or precedent for everything. Someone has said that the last act of a dying organization is to get out a new and enlarged edition of the rule book. (pp. 44-45)

Chin (1969) concurred when he wrote

The presence of tensions, stresses or strains, and conflict within the system often are reacted to by people in the system, as if they were shameful and must be done away with. Tension reduction, relief of stress and strain, and conflict resolution become the working goals of practitioners but sometimes at the price of overlooking the possibility of increasing tensions and conflict in order to facilitate creativity, innovation, and social change. (p. 204)

Regardless of the intent of the business officer either to accept or to resist change, systems must have two mechanisms which are often in conflict. Kast and Rosenzweig (1970) in their discussion of these two mechanisms stated

First, in order to maintain an equilibrium, they must have maintenance mechanisms which ensure that the various subsystems are in balance and that the total system is in accord with its environment. The forces for maintenance are conservative and attempt to prevent the system from changing so rapidly that the various subsystems and total system become out of balance. Second, adaptive mechanisms are necessary in order to provide a dynamic equilibrium, one which is changing over time. Therefore, the system must have adaptive mechanisms which allow it to respond to changing internal and external requirements. (p. 117)

If the business office is large enough and if the college budget allows, an internal auditor is on hand and charged with the responsibility of the maintenance mechanism.

The chief business officer, usually with the cooperation

of the college president, and sometimes with indirect assistance from the Board of Trustees, ensures that the adaptive mechanism is functioning properly.

Inherent in systems theory is the process of feedback, or as it is sometimes referred to, the concept of cybernetics. According to Banghart (1969), the essential and distinguishing feature of cybernetics is that of feedback derived from an internal communication network which provides constant monitoring of the internal activities and the subsequent adjustments made to the system.

Feedback control operates in a system expected to make errors, for the error is depended upon to bring about correction. The objective of such a system is to make the error as small as possible within practical limits. The relationship of the feedback loop may be illustrated by Figure 3.3, as suggested by Johnson, Kast, and Rosenzweig (1963). For the purposes of comparison, a feedback loop for a community college business office is shown in Figure 3.4. The components of the feedback loop in Figure 3.3 may be defined as follows:

Input--the activity element

Processor--the operating system

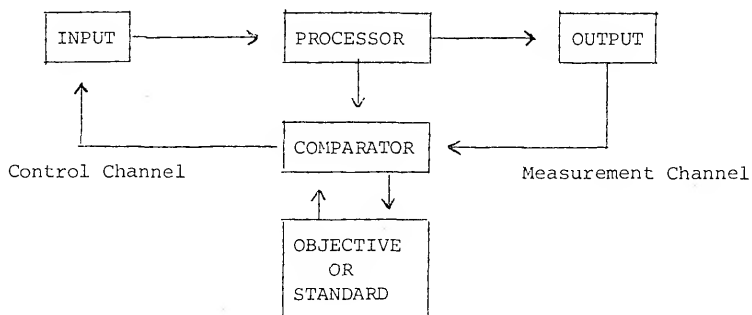


Figure 3.3 Feedback Loop in a System

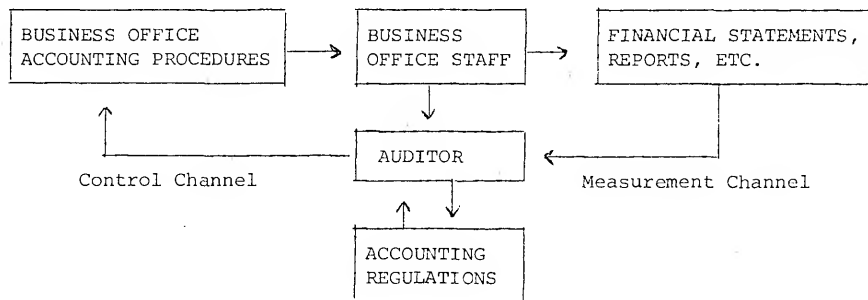


Figure 3.4 Feedback Loop in a Business Office

Output--the accomplishment of the system

Measurement Channel--the sensor element

Comparator and Control Channel--the control group element

Objective or Standard--the controlled item.

Whether or not the system of Florida's public community colleges represents a closed loop or an open loop could be argued at length. This same thought applies to the community college business office. According to Kimbrough (1970), systems have the nature of neither an open loop nor a closed loop. He stated, "Actually, there is no such thing as an absolutely closed or an absolutely open living system. An absolutely closed system would be dead. An absolutely open system would become so loaded with conflicting inputs that it would cease to survive as a system" (p. 64).

It should be pointed out that the system of community colleges does not subscribe to the concept of constant monitoring, unless one is to consider a series of biennial audits a process of constant monitoring. In the subsystem, however, one can find constant monitoring in the activities carried on daily by the internal auditor of the college.

The business office can be perceived as an open, contrived system with boundaries, in interaction with its

environment. In general, the business office is composed of subsystems of a lower order, and is also part of a suprasystem. The business office is able to adapt to changes in its environment brought about by audit criticisms and to maintain a continued dynamic equilibrium.

The business office has both adaptive and maintenance mechanisms which together provide for change and prevent the business office from changing so rapidly that its subsystems become out of balance.

Through the process of feedback both the business office and its subsystems receive information from their environment.

As the subsystems in meeting their objectives assist the business office in meeting its central objective, so then does the business office assist its suprasystem in meeting its central objective.

## CHAPTER IV

### DATA OBTAINED FROM THE EXAMINATION OF AUDIT REPORTS

The purposes of this chapter are (1) to analyze selected adverse comments shown on the nine audit reports according to both audit report classification and standardized audit comments, and (2) to analyze responses to these comments made by the presidents of the participating colleges. A full text of these selected comments is shown in Appendix B. Data from these audit report comments are presented and discussed in the following sections.

These comments were subjected to content analysis to classify them into the following: (1) audit report classification of adverse comments; (2) standard audit classification of audit comments; and (3) classification of responses to adverse audit comments. The intent of the examination of audit report comments was to measure the effectiveness of the audit reports as an external change agent for business office accounting procedures; to determine the nature of the adverse findings; and to identify the area of responsibility within the business office in which the discrepancies occurred.



The nine colleges are identified in this chapter by Greek letters. This same means of identification was used in Chapter V, Interview Responses of the Chief Business Officers. With this means of identification, one can relate adverse comments and responses to the personal interviews.

Audit Report Classification of  
Adverse Comments

The data presented in Table 4.1 show how the adverse findings of each college are classified according to audit report classification. The classification of Expenditures has been identified most often as the area of responsibility within the business offices in which discrepancies occurred. As a percent of total adverse findings, those classified under Expenditures comprise 21% of the total findings, followed by those under Auxiliary Fund with 16%, with those under Fiscal Management and those under Invested in Plant Fund, each with 13%. No adverse findings appeared in the Debt Service Fund classification, and those classified under Budgets account for only 1% of the total. Considering the high volume of disbursements a college must make for such purposes as salaries and operating expenses, one can readily comprehend how the greatest number of discrepancies occurred in the Expenditures classification. Conversely,

Table 4.1 Distribution of Adverse Comments According to Audit Report Classification

	Fiscal Management	Budgets	Revenue	Expenditures	Educational & General Fund	Auxiliary Fund	Loan Fund	Scholarship & Endow. Fund	Agency Fund	Unexpended Plant Fund	Debt Service Fund	Invested in Plant Fund	TOTALS
ALPHA C. C.	3	0	0	8	3	1	1	2	1	1	0	1	21
BETA C. C.	0	0	0	1	0	2	0	0	0	0	0	5	8
GAMMA C. C.	0	1	3	2	0	0	3	0	1	0	0	2	12
DELTA C. C.	3	0	2	4	2	6	9	1	1	1	0	1	30
EPSILON C. C.	8	0	2	5	0	2	1	0	0	3	0	4	25
ZETA C. C.	2	1	3	1	1	3	2	1	0	0	0	2	16
IOTA C. C.	1	0	0	3	0	4	0	1	0	0	0	2	11
THETA C. C.	0	0	1	2	0	1	1	1	0	0	0	0	6
ETA C. C.	2	0	1	5	2	4	0	2	0	0	0	0	18
TOTALS	19	2	12	31	8	23	17	8	3	5	0	19	147

one would expect to find fewer discrepancies in those classifications representing less activity.

Additional analysis of the data disclosed other concepts of interests. Alpha Community College's audit report revealed that 38% of their discrepancies were classified as Expenditures, while only 6% of Zeta Community College's discrepancies were in the Expenditures classification. The Invested in Plant Fund classification accounts for 63% of Beta Community College's discrepancies; Fiscal Management accounts for 32% of Epsilon's discrepancies; Auxiliary Fund accounts for 36% of Iota's discrepancies; and Loan Fund and Auxiliary Fund together represent 50% of Delta's discrepancies. Weaknesses in the areas of responsibility within each business office can easily be determined by an analysis of adverse comments according to audit report classification.

Of the total adverse comments, Delta Community College was responsible for 20% and Theta Community College for 4%. These percentages represent the high and the low for the nine colleges, and one can do no more than speculate as to why Delta Community College had five times as many adverse comments as Theta Community College. Many factors could contribute to such a difference. Among these are lack of competent personnel, including the chief business officer;

lack of funds to hire needed personnel; lack of an internal auditor; lack of proper job descriptions; lack of a proper organization chart; lack of support by the college president and/or the Board of Trustees; and lack of attention paid to rules, regulations, statutes, principles, procedures, and recommendations, which control the activities of a community college chief business officer and his staff. Finally, differences in attitudes of the various audit teams should be given consideration. Again, one can do no more than speculate as to what the results would have been had Delta Community College and Theta Community College exchanged audit teams prior to the 1973-1974 audits.

#### Standard Audit Comment Classification of Adverse Comments

The data presented in Table 4.2 show how the adverse findings of each college are classified according to standard audit comments, as found in The Audit Program, a handbook used by the auditors.

Adverse comments classified as violations of Procedures, Policies, and Internal Control comprise 55% of the total discrepancies. The bulk of the discrepancies in this category involve internal control problems. This is probably true because the smaller institutions cannot

Table 4.2 Distribution of Adverse Comments According to Standardized Audit Comments

	Procedures, Policies, & Internal Control	Rules of the State Board of Education	Florida Statutes & Attorney General Opinions	Generally Accepted Accounting Principles	Accounting Manual for Florida's Public Junior Colleges, 1968	American Council on Education Recommenda- tions	College and University Business Administra- tion Recommendations	TOTALS
ALPHA C. C.	11	3	2	2	2	0	1	21
BETA C. C.	3	0	1	1	2	1	0	8
GAMMA C. C.	5	3	1	0	3	0	0	12
DELTA C. C.	19	5	0	3	2	1	0	30
EPSILON C. C.	14	4	1	3	3	0	0	25
ZETA C. C.	11	4	0	0	1	0	0	16
IOTA C. C.	5	0	3	0	2	0	1	11
THETA C. C.	3	1	0	0	2	0	0	6
ETA C. C.	10	2	3	0	3	0	0	18
TOTALS	81	22	11	9	20	2	2	147

afford to employ the services of an internal auditor. Another factor to be considered in regard to internal control is that the smaller institutions also cannot afford to employ sufficient business office personnel to provide proper separation of duties. Without proper separation of duties, the business office is left open to criticism by the auditors not only for poor internal control but also for failure to adhere to established procedures in carrying out the day-by-day operations of the business office. With the exception of Delta Community College and Zeta Community College, the other seven colleges all showed that close to one-half of their total discrepancies were classified as violations of Procedures, Practices, and Internal Control. For Delta Community College, however, the figure is 63%, and for Zeta Community College the figure is even higher at 75%.

Violations of Rules of the State Board of Education at 15% of the total, and violations of the Accounting Manual for Florida's Public Junior Colleges, 1968, at 14% of the total, are the second and third highest in violations. No college showed a relatively high percentage of its total discrepancies in either of these two classifications, as was found under Procedures, Policies, and Internal Control.

One might conclude from these figures that all nine chief business officers are fairly well acquainted with both the Rules of the State Board of Education and the Accounting Manual of Florida's Public Junior Colleges, 1968, and that these discrepancies were a result of nothing more than not keeping abreast of recent changes.

Violations of American Council on Education recommendations and violations of College and University Business Administration recommendations each contributed approximately 1% to the total number of violations. These recommendations, though admittedly helpful and significant, obviously are not looked upon with great concern by either the auditors or the chief business officers.

No further concepts of interest were revealed by the study of adverse comments according to standardized audit comments.

#### Classification of Responses to the Adverse Comments

Table 4.3 shows a distribution of responses by the nine college presidents to adverse comments in the audit reports. After giving consideration to the discrepancies found in his audit report, the president of each college was required to respond to the Auditor General's Office.

Table 4.3 Distribution of Responses to the Adverse Comments

	Change made as a result of the audit report	No response to the auditor's comment	No change made as a result of the audit report	Concur--no action noted	No comment to the auditor's comment	Partial change as a result of the audit report	TOTALS
ALPHA C. C.	19	1	1				21
BETA C. C.	7		1				8
GAMMA C. C.	7	1	3			1	12
DELTA C. C.	11		3	9	4	3	30
EPSILON C. C.	18		3			4	25
ZETA C. C.	9		3			4	16
IOTA C. C.	6		1			4	11
THETA C. C.	5					1	6
ETA C. C.	2	15				1	18
TOTALS	84	17	15	9	4	18	147



There are no standardized responses to audit criticisms--how the president replies, if at all, is in words of his choice.

This distribution of responses, combined with Chapter V, Interview Responses of the Chief Business Officers, is the basis for conclusions drawn in regard to the effectiveness of the audit report as an external change agent.

The data presented in Table 4.3 show that 57% of the total adverse comments were responsible for changes in business office operations at the nine participating colleges. Another 12% of the comments resulted in partial changes, making a total of 69% of all adverse comments which brought about changes or partial changes. Considering that an additional 6% of the adverse comments were replied to in a positive manner (Concur), one may conclude that audit reports are serving as highly effective external change agents, when based on audit report responses.

Among the nine colleges, however, the effectiveness of the audit reports as external change agents varies significantly. Alpha Community College, for example, showed changes as a result of 90% of its adverse comments, while Eta Community College showed changes derived from only 11% of its comments. The examinations of audit reports do not

attempt to determine why changes in business office accounting procedures were or were not made. However, Chapter V, Interview Responses of the Chief Business Officers, discusses this matter extensively.

Additional analysis of the data revealed other concepts of interest in this study.

Again, referring to Eta Community College, one can see that this college is responsible for 88% of the "No Response" category of responses. In addition, Eta's "No Response" responses make up 83% of their total responses to audit report comments. This may be a matter that the Auditor General wishes to investigate. The Auditor General has no way of knowing what action, if any, was taken regarding 83% of Eta's criticisms. The Auditor General can wait for the next biennial audit to learn the answer, but if the purpose of the audit is to provide feedback to the Legislature regarding the use of state tax dollars, then a "No Response" response partially defeats the purpose of the audit.

Delta Community College produced another concept of interest. Fifty-three percent of Delta's responses were in the categories "No Change," "Concur," and "No Comment." These responses provide the Auditor General with very

little feedback in regard to changes in Delta's business office accounting procedures.

As was discussed in Chapter III, feedback is an essential element in general systems theory. The "No Response" and "No Comment" types of response tell the Auditor General nothing. The audit criticism is there, but both the Auditor General and the Legislature need to know what action was taken as a result of the criticism. If no action was taken, the Auditor General and the Legislature need to know why. A failure on the part of the colleges to initiate change based on audit criticisms could indicate a weakness in the system, of which the colleges, the Office of the Auditor General, and the Division of Community Colleges all are part. The standards, which are used by the auditors, and set by the Accounting Committee and the Division of Community Colleges, could be unreasonable or impractical. If this is the case, there exists another cause for the system to be in disequilibrium.

The types of responses to adverse comments warrant a careful evaluation by those who provide the feedback within the system, and also by those who receive the feedback.

### Summary

The conceptual analysis of the examination of audit reports incorporated within this chapter focused on three aspects: (1) audit report classification of adverse comments; (2) standard audit comment classification of adverse comments; and (3) responses to these comments made by the presidents of the participating colleges.

Diversity is the most striking characteristic of the examination of audit report comments and responses for the nine participating colleges.

The audit report classification of Expenditures was clearly shown as the area of responsibility in which discrepancies most often occurred. Twenty-one percent of all adverse comments were found in this classification. In the opposite direction, no adverse findings appeared in the Debt Service Fund classification. Furthermore, no common pattern could be identified with respect to Expenditure classification errors among the various business offices. Thirty-eight percent of Alpha Community College's discrepancies were classified as Expenditures, while only 6% of Zeta's errors were found in this classification.

Of the total adverse comments, Delta Community College was responsible for 20%, and Theta Community College for 4%.

These percentages represent the high and the low for the nine colleges.

Regarding standard audit comment classification of adverse comments, those classified as violations of Procedures, Policies, and Internal Control accounted for 55% of the total, while violations of American Council on Education recommendations and violations of College and University Business Administration recommendations each contributed only 1% of the total. Some uniformity was noted when this type of classification of audit comments was examined on a college-by-college basis. With the exception of Delta and Zeta, the remaining seven colleges all showed that close to one-half of their discrepancies were classified as violations of Procedures, Practices, and Internal Control. Delta, however, showed 63% of its violations in this category, and Zeta showed even more, at 75%.

The conceptual analysis of responses by the nine college presidents to adverse comments in the audit reports showed that one may conclude that audit reports are serving as highly effective external change agents. Of the total comments, 57% were shown to be responsible for changes in business office operations, and another 12% resulted in partial changes. Among the nine colleges, however, the

effectiveness of audit reports as external change agents varies significantly.

The analysis of responses further revealed a significant lack of feedback on the part of some of the presidents to the Office of the Auditor General. The nature of some of the responses or the lack of responses, does not allow the system as a whole to function properly, and provides cause for the system to be in disequilibrium.

## CHAPTER V

### INTERVIEW RESPONSES OF THE COMMUNITY COLLEGE BUSINESS OFFICERS

As was discussed in Chapter I, personal interviews were conducted with each of the chief business officers of the nine selected colleges. The purposes of these interviews were to gauge the extent of changes resulting from the 1973-1974 audit reports in the following areas: business office accounting procedures; organization and structure of the business office; job descriptions; and the efficiency of the business office. In addition, the chief business officers were asked to indicate whether the presidents and other top-level administrators of their colleges responded to the audit reports by the use of audit reports as tools of management.

The chief business officers who participated in the interviews reported that they had served in their positions on an average of nine years, the range being five years to twenty-four years. Three had previous teaching experience and two had previous business experience. This group

represents a professional commitment to this profession since there is so little teaching and business experience. It may be assumed that these individuals represent a typical group of chief business officers in the Florida public community colleges.

#### Changes in Accounting Procedures

The data presented in Table 5.1 show how each chief business officer responded to the question that was asked as follows:

What changes in your business office accounting procedures have been made or will be made as a direct result of the 1973-1974 audit report?

Five of the chief business officers were of the opinion audit reports were a stimulus for change. One of these five felt that because change is slow and difficult at his college, he needs the assistance of the audit report to be successful in obtaining permission from top-level administration and the Board of Trustees to make changes in accounting procedures. Another of these five was not previously aware of the discrepancies cited in his audit report, and he made the changes immediately after they were called to his attention.



Table 5.1 Responses of Chief Business Officers Concerning Changes in Accounting Procedures as a Result of 1973-1974 Audit Reports

	All changes a direct result of the 1973-1974 audit report	Some changes a direct result of the 1973-1974 audit report	No changes resulted from the 1973-1974 audit report
ALPHA C. C.		X	
BETA C. C.	X		
GAMMA C. C.	X		
DELTA C. C.			X
EPSILON C. C.	X		
ZETA C. C.		X	
IOTA C. C.	X		
THETA C. C.	X		
ETA C. C.			X
TOTALS	5	2	2

Two business officers reported that some changes made subsequent to the 1973-1974 audit were a result of the audit report. One stated that changes had been contemplated prior to the audit, and the audit report provided the impetus to proceed with these changes. The other stated that more changes would have been made if a better relationship had existed between himself and the auditors.

Of the two business officers who reported no changes, one stated that all changes were "self-generated," meaning that he was aware of what had to be done before the audit, and he had intended to make all changes. The other business officer said that he knows accounting procedures and the accounting manual as well as or better than the auditors, and he was aware of the problems prior to the audit. He was not able to make the changes because the college was short of personnel. He further stated, however, that the audit report should be given credit for speeding up these changes.

Changes in Business Office  
Organization Structure

Table 5.2 shows how each business officer responded to the following question:

What changes have been made in your business office

Table 5.2 Responses of Chief Business Officers Concerning Changes in Business Office Organization Structure as a Result of 1973-1974 Audit Reports

	Changes made in organization structure as a direct result of the 1973-1974 audit report	No changes made in organization structure as a direct result of the 1973-1974 audit report
ALPHA C. C.	X	
BETA C. C.		X
GAMMA C. C.		X
DELTA C. C.		X
EPSILON C. C.		X
ZETA C. C.		X
IOTA C. C.		X
THETA C. C.		X
ETA C. C.		X
TOTAL	1	8

organization structure as a result of the 1973-1974 audit report?

Only one of the nine business offices had a change in its organization structure. Of the other eight, one said there was a change, but it was a result of college initiative, and not from the audit report. Another business officer reported there were changes in his college's organization structure subsequent to the audit, but Health, Education and Welfare guidelines were entirely responsible. Iota Community College's business officer responded that a change recommended by the auditors to alter the organization structure was not followed by Iota's President and Board of Trustees.

Changes in Business Office  
Job Descriptions

The data presented in Table 5.3 show how the nine business officers responded to the following question:

What changes have been made in job descriptions within your business office as a result of the 1973-1974 audit report?

Two business officers replied that changes in job descriptions has been made, and in each case new employees

Table 5.3 Responses of Chief Business Officers Concerning Changes in Business Office Job Descriptions as a Result of 1973-1974 Audit Reports

	Changes made in job descriptions as a direct result of the 1973-1974 audit report	No changes made in job descriptions as a direct result of the 1973-1974 audit report
<u>ALPHA C. C.</u>	X	
<u>BETA C. C.</u>		X
<u>GAMMA C. C.</u>		X
<u>DELTA C. C.</u>		X
<u>EPSILON C. C.</u>		X
<u>ZETA C. C.</u>		X
<u>IOTA C. C.</u>		X
<u>THETA C. C.</u>	X	
<u>ETA C. C.</u>		X
<u>TOTALS</u>	2	7

were hired. At Alpha Community College some changes were recommended, but Alpha's President decided not to comply with the auditors' recommendations. At Eta Community College a major change was recommended in the job description of the chief business officer, but top-level administrators at Eta believed this change was unworkable, and the auditors' recommendation was not followed.

#### Increased Business Office Efficiency

Table 5.4 shows how each business officer responded to the following question:

Does your business office function in a more efficient manner as a result of the 1973-1974 audit report? If your answer is yes, tell how it functions more efficiently.

Three of the nine business officers said that their business offices function more efficiently as a result of the audit report. At Alpha Community College changes in organization structure, and improved controls over payroll have helped Alpha's efficiency. Epsilon's business officer said they do not have an internal auditor, and the auditors find problems that otherwise would be overlooked because of the pressure of day-to-day details.

Table 5.4 Responses of Chief Business Officers Concerning More Efficient Functioning of Their Business Offices as a Result of 1973-1974 Audit Reports

	Does function more efficiently as a direct result of the 1973-1974 audit report	Does not function more efficiently as a direct result of the 1973-1974 audit report
ALPHA C. C.	X	
BETA C. C.		X
GAMMA C. C.		X
DELTA C. C.		X
EPSILON C. C.	X	
ZETA C. C.		X
IOTA C. C.		X
THETA C. C.	X	
ETA C. C.		X
TOTALS	3	6

Of the six who reported no increase in efficiency one said his college's business office is now less efficient than prior to the audit report because a new position was created which necessitated the addition of another employee. Although effectiveness has increased, efficiency has decreased. Another business officer also felt his business office is less efficient because recommendations made by the auditors have put into operation unnecessary changes which have caused additional work. This additional work is wasted because the college receives no benefit from it and, therefore, the rate of return from the college's investment is less as a result of the audit report.

At Eta Community College, the business officer stated that he is responsible for the efficiency of his business office; the auditors cannot claim this honor. He further named three obstacles to efficient business office operations: (1) lack of time; (2) lack of space; and (3) lack of competent personnel.

Gamma's business officer replied that an audit report will make no difference in the efficiency of his business office, because he concerns himself with efficiency every day of the year.



### Audit Reports as a Tool of Management

The data presented in Table 5.5 show how each business officer responded to the following question:

Do top-level administrators at your college view audit reports as a tool of management? If your answer is yes, tell how.

Three of the nine business officers responded in the affirmative to this question. At Alpha Community, the President, Vice-Presidents, and Provosts all share the feeling that the audit reports can be used effectively as tools of management to assist in the change process. At another college both the President and the chief business officer use the added clout of audit reports to help convince the Board of Trustees that changes are needed.

Of those who responded in the negative, one business officer stated that top-level administrators at his college look upon audit reports as "evils" which are not needed, and at auditors as persons who attempt to "disrupt" the organization. At another college, top-level administrators see the audit as an invasion of privacy, and audit reports as casting doubts about their integrity. In addition, these same administrators are convinced that many changes

Table 5.5 Responses of Chief Business Officers Concerning Top-Level Administrators' Use of Audit Reports as a Tool of Management

	Do view audit reports as a tool of manage- ment	Do not view audit reports as a tool of management
ALPHA C. C.	X	
BETA C. C.		X
GAMMA C. C.	X	
DELTA C. C.		X
EPSILON C. C.		X
ZETA C. C.		X
IOTA C. C.		X
THETA C. C.	X	
ETA C. C.		X
TOTALS	3	6

recommended by the auditors cost the college additional money, but did nothing to increase efficiency. Another business officer reported that top-level administrators at his college feel the audit reports have lost their effectiveness as tools of management because the audit reports contain so many "asinine" comments. At another college top-level administrators have become offended by what they referred to as the auditors nit-picking attitude. These administrators feel the auditors should present a helping attitude rather than an adversarial attitude. A changed attitude would then bring about an interest on the part of top-level administrators in using the audit reports as a tool of management. Finally, another business officer replied that his President and the Deans view the audit and audit reports as just something that has to be endured. The audit reports are put to no practical use whatsoever.

Audit Reports as Effective External  
Change Agents for Business Office  
Accounting Procedures

Table 5.6 shows how each business officer responded to the following question:

Are audit reports serving as effective external change

Table 5.6 Responses of Chief Business Officers Concerning the Effectiveness of Audit Reports as External Change Agents

	Are serving as effective external change agents	Are not serving as effective external change agents
ALPHA C. C.	X	
BETA C. C.	X	
GAMMA C. C.	X	
DELTA C. C.		X
EPSILON C. C.	X	
ZETA C. C.		X
IOTA C. C.	X	
THETA C. C.	X	
ETA C. C.		X
TOTALS	6	3

agents for business office accounting procedures?

If your answer is yes, tell how.

Of the nine business officers, six answered this question affirmatively. At Beta Community College the business officer said that audit reports assist him in making change by the support the reports lend when he is confronted with objections from his President or Board of Trustees. At Gamma, the business officer's fear of a poor audit causes changes to be made sooner than they would without an audit report. At another college, the business officer stated that his President would totally ignore fiscal management if not for audit reports.

At both Delta and Eta, the business officers replied that they were more capable than the auditors regarding the proper operation of a community college business office, and, therefore, audit reports are not needed to make changes. At Zeta, the business officer said that audit reports could serve as effective external change agents if the Office of the Auditor General was willing to provide auditors with helpful attitudes. He further stated that the auditors he now gets are not there to help him and his staff, and this is the key to whether the audit report serves effectively as an external change agent.

### Future Audits

The final question on the interview guide did not lend itself to the use of a table, as did the preceding questions, but the responses produced many concepts of interest. The final question was as follows:

How can audits better serve you and your staff in the future?

Several business officers mentioned attitudes of the auditors, and all said much the same in this regard. The essence of what was said is that a good auditor will not undertake an audit in a negative sense, meaning that he is determined to find problems. Rather, the good auditor will approach the audit concerned primarily with how he can help the business officer and his staff. To carry this idea one step further, Delta's business officer noted that the auditors should function as though they were part of a team effort at the college undergoing the audit. He further suggested that auditors should not feel that in order to conduct a successful audit they must find problems. This type of attitude forces the colleges to seek opinions from the college attorneys when there exists sharp disagreement with the auditors. Some disagreements have become serious. On

this same concept Zeta's business officer asked that the Auditor General send him better auditors with better attitudes rather than policemen or enforcers. He believes that the auditor should be someone who comes as a guest of the college, who is friendly and courteous, and is ready to help.

Another concept of interest that emerged from the responses relates to how well auditors are trained for their duties. At Beta Community College, the business officer mentioned that he should not be expected to teach an auditor Beta's system so the auditor can audit the Beta Community College business office. Further regarding training, he felt the auditors should make the same recommendations regarding accounting procedures as past auditors. An auditor should not make a suggestion, and two years later another auditor tell the business officer to do it differently. Epsilon's business officer felt that some auditors are unqualified to conduct an audit because they do not know the accounting manual well enough. At Eta Community College, the business officer expressed the opinion that the Auditor General should either use more experienced auditors, or he should provide closer supervision for the younger, less experienced auditors.

Another interesting concept which appeared in the responses involved the type of audit now being performed. As was discussed in Chapter I the 28 community colleges undergo a compliance audit. Epsilon's business officer has asked for more management analysis, which evaluates people rather than procedures. Theta's business officer alluded to this same concept in suggesting that the auditors look more closely at the way the duties of various business office employees are performed in relation to both the job description and the need for each of these positions. For example, the auditor can better serve a college by making recommendations regarding the need for a certain position within the business office organization structure. An outside, objective review of a position or an employee can sometimes reveal that which cannot be seen from within. Personnel recommendations of the auditors should not be limited to changes in job descriptions. An audit report recommending elimination of an employee and/or a position could be used by college officers as a tool in helping to convince the Board of Trustees that such a change has merit. The audit report would also take the "heat" away from college officers in the event that such a recommended change is carried out.



Recommendations for personnel changes could accompany an audit report in the form of an addendum.

The entire audit program should be updated according to Iota's business officer. He suggested modern auditing techniques which would accommodate today's fast-paced business office activities. Modern techniques call for sampling instead of a 100% audit, unless evidence indicates otherwise. Many thousands of state tax dollars could be saved in this manner.

Fortunately not all responses to the question were negative. Gamma Community College's business officer said the auditors should continue to do as they now do, i.e., not irritate him or his staff, and not nit-pick in order to make adverse comments in the audit reports. He believes he has had super auditors in past years and wants to continue to work with only the best.

Relationship Between Adverse Comments  
and the Change Process

The data presented in Table 5.7 show a summarization of concepts of interest from both Chapters IV and V. In Table 5.7 the nine colleges have been ranked according to total adverse comments. Beside this ranking are columns showing

Table 5.7 Distribution of Adverse Comments and Their Tendency to Influence Change

	Total Adverse Comments	Accounting procedure Changes	Organization Structure Changes	Job Description Changes	Audit Comments Used as Tools of Management
DELTA C. C.	30	None	No	No	No
EPSILON C. C.	25	All	No	No	No
ALPHA C. C.	21	Some	Yes	Yes	Yes
ETA C. C.	18	None	No	No	No
ZETA C. C.	16	Some	No	No	No
GAMMA C. C.	12	All	No	No	Yes
IOTA C. C.	11	All	No	No	No
BETA C. C.	8	All	No	No	No
THETA C. C.	6	All	No	Yes	Yes
TOTAL	147	---	---	---	---

how each business officer responded to questions relating to changes in accounting procedures, organization structure, and job descriptions, plus the reaction of top-level administrators to the use of audit reports as tools of management.

The purpose of this type of analysis is to seek to determine whether a large number of adverse comments produces conflict in the business officers and their top-level administrators, which in turn would cause them to reject change. On the other hand, a small number of adverse comments may produce an opposite kind of perception by these same college officers.

In comparing Delta, which had the highest number of discrepancies, and Theta which had the lowest, one might be persuaded that this theory has merit. With 30 adverse comments, Delta's business officer reported that no changes in accounting procedures, organization structure, and job descriptions resulted from the audit report. In addition, Delta's other top officers did not view audit reports as effective tools of management. On the other hand, Theta's business officer replied that all changes in accounting procedures were a direct result of the audit report, job description changes were made as a result of the audit report,

and Theta's other top-level officers view audit reports as effective tools of management.

This theory fails to hold up when one looks further at the data in Table 5.7. Epsilon, with the second highest number of audit criticisms, indicated that all changes in accounting procedures were a direct result of the audit. And Alpha, with the third highest number of audit criticisms, showed some accounting changes related to the audit report, plus organization structure and job description changes. In addition, Alpha's top officials look upon audit reports favorably as tools of management.

#### Summary

In this chapter, audit reports were viewed within the perspectives provided by the chief business officers of the nine selected colleges. Personal interviews with the business officers provided an opportunity to judge the extent of changes in business office operations and to evaluate attitudes of top-level administrators toward the use of audit reports as tools of management.

It was observed that only five of the nine business officers felt that the audit reports were responsible for all changes in accounting procedures made subsequent to the

1973-1974 audit reports. Two of the remaining business officers, however, felt that at least some changes were triggered by the audit reports. Thus, a clear majority of the business officers perceived changes in accounting procedures as having been produced by the audit reports.

Extensive changes in business office organization structure and job descriptions were not stimulated by the audit reports.

Many interesting responses were received in regard to the question involving improved business office efficiency. Although three business officers reported increased efficiency, there were others who felt their business offices were less efficient because of recommendations made by the auditors. Additional work and additional, unnecessary business office personnel account for the decreased efficiency.

The analysis of responses also revealed several interesting comments relative to the views taken by top-level administrators toward audit reports as tools of management. At three of the colleges, top-level administrators all share the feeling that audit reports can be used to assist in the change process. At the other six colleges, however, hostility

could well describe the attitude toward audits, auditors, and audit reports.

Responses to the final question on the interview guide regarding future audits produced very informative concepts of interests. The attitude of the auditors toward the auditing process emerged as a most serious consideration. In essence, a majority of the business officers want the auditors to approach their task with a helping attitude rather than an adversarial frame of mind. Lack of proper training and lack of sufficient business office auditing experience on the part of young auditors were also mentioned as problems faced by the business officers. Further regarding future audit improvement, a change from today's compliance audit to a management analysis type audit, was suggested by several business officers. In this same concept, it was further suggested that modern auditing techniques, which involve sampling rather than a 100% audit, be used unless evidence indicates otherwise.

Although no clear-cut conclusions can be reached, there are indications that a high number of adverse comments produces greater resistance to change, and a small number of criticisms produces a willingness to follow the auditors' recommendations.

## CHAPTER VI

### CONCLUSIONS, IMPLICATIONS, AND SUGGESTIONS FOR FURTHER STUDY

#### Conclusions

The following conclusions are presented relative to this study.

1. As was pointed out in Chapter III, general systems theory requires that the system provide itself with feedback. This research shows that the auditing process has failed to provide adequate feedback to adverse comments found in the audit reports as may be illustrated in some of the responses of the college presidents. The nature of the response can indicate little or nothing in the way of feedback, as was the case with both Eta and Delta Community College. Of Eta's total responses, 83% were in the "No Response" category. Of Delta's total, 53% were in the categories "No Change," "Concur," and "No Comment." The auditor General and the Legislature need to know what

action has been taken because of the audit criticism. If no action was taken, they need to know why. A failure on the part of the responses to provide proper feedback indicates a serious weakness in the system and shows the systems theory in this instance does not describe the situation as it currently exists.

Audit reports alone do not cause the system to be in disequilibrium. The auditing process, as an agent for change, however, does create conflict. Resistance to change is manifested in the following actions: (1) refusal by some of the colleges to initiate change; (2) refusal by some of the colleges to provide the system with adequate feedback to audit criticisms; (3) refusal by some of the colleges to accept the system's standards; and (4) refusal by some of the colleges to fully embrace the philosophy inherent in the entire auditing process.

As a form of control, the auditing process in Florida's public community colleges cannot be considered satisfactory when one considers not only



the amount of resistance to change but also the amount of hostility produced within the system by the biennial audits.

The auditing process does not provide the system with a means of constant monitoring as is recommended by general systems theorists. With audits now being conducted every other year, or in some cases every third or fourth year, the central objective of the system is lost.

2. Audit reports are serving as effective external change agents for business office accounting procedures. Seven of the nine chief business officers who participated in this study stated that their 1973-1974 audit report was in some way responsible for change. One who answered in the negative stated that the audit report could be an effective change agent if the attitude of the auditors was helpful rather than adversarial. The other who denied the effectiveness of the audit report as a change agent did comment, however, that outsiders can sometimes detect minor problems that go unnoticed by those on the job.

Responses by the presidents of the nine participating colleges to the preliminary and tentative audit findings also show that the audit reports are serving as effective external change agents. In examining a total of 147 selected audit findings, the following was noted:

- a. Fifty-seven percent of the responses indicated that changes in business office accounting procedures were made as a direct result of the audit.
- b. Twelve percent of the audit findings were given no response by the president.
- c. Twelve percent of the responses indicated partial changes as a result of the audit report.
- d. Ten percent of the responses indicated that no changes in business office accounting procedures were made as a result of the audit report.
- e. Six percent of the audit findings were answered by an indication that the President concurred with the auditor's comment.

- f. Three percent of the audit findings were answered with no comment.
3. Top-level administrators at the nine Florida public community colleges that participated in this study do not view audit reports as effective tools of management. At only three of the nine colleges are audit reports used to assist management in the change process. It should be pointed out, however, that at Epsilon Community College the chief business officer reported that their top-level administrators do not look upon the audit report as a tool of management, but they do see the audit report as a means of informing management of what is happening so management can make changes.
  4. The 1973-1974 audit report was not responsible for major changes in business organizational structures of the participating colleges. Only at Alpha Community College were any changes noted, and these were considered minor.
  5. Changes in business office job descriptions as a result of the 1973-1974 audit reports were few. Only at Alpha and Theta Community Colleges were

changes made, and these were minor. Changes were recommended in the audit report for Beta Community College, however, but were not acted upon by Beta's president.

6. Six of the nine chief business officers stated their business offices do not function in a more efficient manner as a result of their 1973-1974 audit reports, and two of these six felt that their business offices function less efficiently as a result of their audit reports. Beta's chief business officer conceded, however, that his business office while functioning less efficiently is now more effective.
7. Changes in the philosophical approach of auditors to the auditing procedure and an upgrading of the auditing skills of young auditors, in particular, could go a long way toward improving the effectiveness of audit reports as external change agents and as tools of management.

#### Implications

The results of this study suggest that major changes are needed in the entire auditing process of Florida's public community colleges.

If one is to accept the assumption that instruction is the production function of the Florida public community colleges, one could suggest that the divisions which are responsible for academic operations should be audited.

If a major purpose of the biennial audit of business offices is to provide the Florida Legislature with information regarding how well the state tax dollar is managed, one could further suggest that the wrong office is being audited. The business office spends very little of the tax dollar allocated to the college . . . the big spender is the office involved with instruction. Direct instructional costs plus instructional support costs probably account for at least one-half of a college's annual budget, so how does the Florida Legislature make a decision regarding the effectiveness and efficiency of instruction? It does not.

A discussion of this nature leads to the subject of accountability. The business office is held accountable for its accounting procedures and its adherence to accounting regulations as set forth by the Division of Community Colleges. No other office within the college is audited. No office except the business office is accountable directly to the Florida Legislature. How could the office which is

responsible for instruction be held accountable? An educational, operational, or managerial audit is the answer to this question. A determination of the operating efficiency of all major divisions within the Florida public community colleges is a must if the Legislature is to be properly advised in regard to spending of the State's tax dollar.

A second significant result of this study suggests that the Office of the Auditor General of the State of Florida should provide better-trained auditors to conduct the biennial audits of Florida public community college business offices. Many Legislative auditors begin work with the Auditor General's Office immediately after completion of a Bachelor's degree in Accounting, and are, therefore, inexperienced as auditors, and, in particular, as auditors for Florida's public community colleges.

A final result of this study suggests that a change is needed in the attitude of auditors toward the entire auditing process. To many of the chief business officers who participated in this study, an adversarial relationship was established on the first day of the audit. It is recommended that an adversarial relationship be replaced by a helping relationship. These business officers expressed the opinion that everyone involved in the audit would benefit to a

significant degree through implementation of this change, because audits and audit reports would then become much better tools of management with which to facilitate change.

#### Suggestions for Further Study

The conclusions and implications of this research project indicate that further research would be of value in the following areas:

1. An auditing process which would determine whether the entire organization is operating efficiently.
2. A monitoring process which would provide a more constant means of evaluation than does the present biennial audit.
3. A significantly changed attitudinal approach to the auditing process by the Office of the Auditor General.
4. The establishment of a training program for young auditors by the Office of the Auditor General.
5. The establishment of management oriented auditing courses, and increased emphasis on Fund Accounting in upper-division requirements for accounting majors.

## APPENDICES



APPENDIX A

INTERVIEW GUIDE USED FOR ON CAMPUS INTERVIEWS  
WITH CHIEF BUSINESS OFFICERS

Part I    Personal Data

Name \_\_\_\_\_

College \_\_\_\_\_

Position \_\_\_\_\_

Educational Background \_\_\_\_\_

Educational Experience \_\_\_\_\_

Business Experience \_\_\_\_\_

Number of Years in This Position \_\_\_\_\_

## APPENDIX A (continued)

Part II    Interview

1. What changes in your business office accounting procedures have been made or will be made as a direct result of the 1973-1974 audit report?
2. What changes have been made or will be made in your business office organizational structure as a direct result of the 1973-1974 audit report?
3. What changes have been made or will be made in your business office job descriptions as a direct result of the 1973-1974 audit report?
4. How does your business office function in a more efficient manner as a direct result of the 1973-1974 audit report?
5. How do top-level administrators at your college view audit reports as a tool of management?
6. In what way are the audit reports serving as effective change agents for business office accounting procedures at your college?
7. How can audit reports better serve you and your staff in the future?

## APPENDIX B

### ADVERSE COMMENTS FROM THE NINE AUDIT REPORTS

#### Alpha College

##### 1. Fiscal Management

Comment: In order to provide control over the collection of funds, the College has incorporated the use of the following receipts: a business office receipt, fee card, seminar receipt, tickets, money receipt, buy-back receipt, refund voucher receipt, and cash register tapes. An informational and incomplete record of the assignment and use of business office receipts and seminar receipts was kept by the Bursar's office. This record did not provide sufficient control over prenumbered receipts. It is recommended that a register to control the issuance of the prenumbered receipts prior to use be kept by Central Accounting to control the use and assignment of the receipts of various departments.

Response: Present procedures will be reviewed for the use and assignment of receipts for various departments. Continued efforts will be made to provide adequate control over prenumbered receipts to be used by all departments within the College, including the establishing of a register.

Comment: Records were kept by the Physical Plant department for the operation of vehicles as a basis for preventive maintenance and as a historical record of vehicle maintenance. Cost records, however, were not kept by vehicle to show the cost of parts, labor, and other supplies for the Physical Plant department, nor were cost records kept by the Printing and Graphic Arts Center department for print work. As a result, I was unable to verify the reasonableness of the rates set for internal billings for vehicles, printing, and copies, nor could I find approval of an internal fee schedule in the Board's policy and procedures manual for all internal billings.

Response: Procedures for maintaining cost records for vehicles and printing will be reviewed and appropriate rates set for internal billing. An internal fee schedule for billing will be submitted to the District Board of Trustees for approval.

Comment: The following exceptions were noted in my examination of the cost report and it is recommended that the Board review the procedures used in the preparation of the cost report to ensure the accuracy of future cost analysis reports:

1. Instructional salary cost of \$3,463,545.94 under Personnel Expenditures as shown on CA-2 Report, Part I, appears to be grossly understated and Administrative/Managerial Salaries appear to be overstated. This is a result of prorating an instructor's yearly salary based on workload of 36 semester hours between teaching and administrative duties. In a number of instances the instructor's workload was less than 36 hours and his responsibilities were clearly limited to

instruction only (except for office hours), thereby all of his cost should have been applied to instruction.

2. Depreciation expense appears to be overstated by \$9,653.84 as shown in CA-1 Report and CA-2 Report. This is a result of computing depreciation twice on library assets.

Response: A review of cost analysis procedures within the College has been conducted and continued efforts will be made to bring the College into complete compliance with the guidelines issued by the Department of Education for the preparation of the Cost Analysis Report. The specific items relative to instructional salary and administrative/managerial salaries and the depreciation expense items and the procedures for arriving at these are being reviewed and appropriate corrective action in preparing the Cost Analysis Report will be made accordingly.

2. Budgets

None

3. Revenue

None

4. Expenditures

Comment: A review of salaries paid compared with contracts and adopted salary scheduled indicated general compliance with contract provisions and approved salary schedules, except that one professor had been overpaid \$3,060.49 while on leave without pay. As of January, 1975, the overpayment was still outstanding and the details for repayment were still pending between the College and the professor. I recommend that the Board review the internal control over the granting of

professional leave and leave without pay and that procedures be adopted to ensure that the payroll status of employees is properly recorded.

Response: The overpayment of salary to a faculty member who was on leave without pay has been dealt with by means of the filing of a suit for the recovery of the funds, and a resolution has been worked out with the judge assigned to the case. Repayment of more than half of the outstanding amount has been made. A review of procedures used for internal control over the granting of leaves has been made and controls will be implemented. Continued efforts will be made to record correctly the payroll status of employees.

Comment: Salary schedules for administrative and support personnel, as provided for in Section 6A-8.75(1) and (2), Rules of the State Board of Education, were incomplete. The deficiencies noted are as follows:

1. Salary schedule for administrative personnel failed to include provisions for recognition of training and experience for each position and pay range.
2. A description of duties and responsibilities for administrative personnel was contained in the FACULTY STAFF HANDBOOK, but a description of qualifications for the job positions was not stated.
3. Position classification for supportive personnel which reflected job descriptions and qualifications was used as part of the official salary schedule but was not approved by the Board.
4. A description of duties, responsibilities, and job qualifications was contained in a book (Position Classification System) for supportive personnel; however, I was unable to find nor was I shown any document with Board approval for supportive personnel.

Response: The salary schedule for administrative personnel provides for levels and ranges. The job descriptions set forth the kind of competencies required for each position. The philosophy of the College is not to set up a schedule which provides a specific amount for training and experience, but to have the flexibility to set the salary within the ranges and levels established by the District Board of Trustees to attract persons with the requisite background and abilities for the position.

Descriptions of duties and responsibilities for administrative personnel imply the qualifications for the job positions. Consideration will be given to making a more explicit statement of descriptions of qualifications for the job positions.

The Board has, in the 1974-75 academic session, adopted a new classification plan which brings the College in compliance with appropriate regulations. For the period of the audit, July 1, 1973, to June 30, 1974, the position classification for supportive personnel had not been approved by the Board.

Effective December 1, 1974, the descriptions of duties, responsibilities, and job qualifications for supportive personnel were issued, having been approved by the District Board of Trustees.

Comment: Weaknesses in internal control and accounting procedures noted in the payroll department were as follows:

1. Individual case files containing all of the necessary information from the date of the claim to final disposition were not kept on each workman's compensation claim.
2. The partial advance payment of individual's salary before the normal pay date.
3. A receipt was not required or given when warrants were transferred from the data processing department to the payroll department.

4. The payroll department sorts the warrants by campuses and departments but does not require or receive a receipt from the individual who delivers and/or distributes them.
5. General ledger payroll liability accounts for health and accident insurance, life insurance, and credit union deductions did not agree with the related details subsidiary accounting records at June 30, 1974.

Response: The College is in the process of establishing procedures for maintaining files on each Workmen's Compensation claim.

College accounting control procedures for the advance salary payment system are under review and any inadequacies in internal controls will be dealt with by the establishment of appropriate procedures.

Procedures for internal control on the salary checks being transferred from the Data Systems Department to the Payroll Department, and for distribution to the various areas within the College are under current review and appropriate corrective action is anticipated following the completion of this review.

The College payroll system and procedures being used dictate a complex arrangement for maintaining general ledger liability accounts for payroll deductions. A review currently under way should result in the establishment of generally ledger payroll liability account controls that would insure accurate account liability and protection for payroll funds.

Comment: Section 6A-8.30(3), Rules of the State Board of Education, provides that the Community College President shall be entitled to a contract. On June 18, 1973, the Board by amendment increased the President's salary



and perquisites 10.4 percent over the amounts established under a four year contract dated June 20, 1972. The President's contract as amended authorized \$33,120 as salary for 1973-74, plus an automobile for business and personal use, and a housing allowance of \$3,974.40. In addition, the Board paid \$3,662 a year toward the annual premium for life coverage on the President. The President paid the balance of the annual premium in the amount of \$500 a year. The President's contract called for the Board to consider as deferred income any and all premiums or portions thereof advanced and paid by the Board for and on behalf of the President's life insurance and that the deferred income was to be credited against the President's indebtedness to the Board as to the insurance. The contract also provides for the Board to pay the costs of hospitalization insurance for the President's family.

Response: The terms and conditions of the President's contract are established by the Board. The automobile and housing allowance provided as part of this contract have a long-standing tradition among institutions of higher learning and have been deemed necessary to the President in the performance of his duties. The contribution toward the annual premium for life insurance coverage on the President was provided in lieu of salary by specific agreement between the President and the Board. All these are components of the contract for the services of the President which the Board has authority to execute.

Comment: The purchase of goods and services was in most instances accomplished through the use of written purchase orders supported by departmental requisitions. Documentation to support the transactions was filed alphabetically by vendor. Purchases,

generally, were made in accordance with applicable law and good business practices; however, the College in some instances continued to use purchase orders of a confirming nature and in some instances processed invoices without a purchase order being issued.

Response: Continued efforts will be made to reduce the number of payments and invoices without having an approved purchase order issued in advance for such purchases.

Comment: Travel expenditures were generally paid in accordance with Board policy and Section 112.061, Florida Statutes. It was noted in several instances, however, that travel vouchers did not contain times of departure and return, nor were points of origin shown. Without such information proper amounts payable cannot be determined.

Response: Procedures for processing of travel vouchers to assure that adequate information is reported in order that proper reimbursement will be made are under current review and action will be taken to assure adequate control.

Comment: An insurance register was kept, but in some instances, the insurance register was not up-to-date and did not contain all of the information pertaining to the policy. Insurance was not bid.

Response: Continued efforts will be made to maintain the insurance register on an up-to-date basis, including all of the information pertaining to the policies.

Comment: The Board paid certain expenses of the Alpha Community College Foundation, Inc., a non-profit corporation whose main purpose is to

assist students and promote the activities of Alpha Community College.

Several employees of the College and one Board member participated as officers and directors of the Alpha Community College Foundation, Inc.

The Board had not established any written policies concerning the College's relationship with the Foundation.

A review of certain expenditures in the amount of \$8,007.50 charged to the Development Office of the College for the fiscal years 1972-73 and 1973-74 by an ad hoc committee concluded that \$588.25 of that amount pertained to the Alpha Community College Foundation and recommended that an invoice in this amount be submitted to the Foundation. This amount was paid to the College on April 22, 1975, after the close of this audit period. The details representing the \$588.25 were furnished for my review and my examination did not extend to the records of the Foundation. I was not shown, nor could I find, any law or regulation authorizing the Board to use its resources and funds in support of a private nonprofit corporation.

Response: An ad hoc committee made a thorough analysis in connection with all expenses incurred by the ACC Foundation, Inc. and recommended through the President to the District Board of Trustees that the Foundation reimburse the College in the amount of \$588.25. The District Board of Trustees adopted the recommendation and the reimbursement was made.

##### 5. Educational and General Funds

Comment: The College provided an artist series program for the 1973-74 fiscal year and accounted for the proceeds in the General Current Fund. My examination of the receipts and expenditures of this function disclosed the following:

1. The printing of the artist series tickets did not comply with Board policy 6-33a in that tickets were not serially numbered.
2. Program advertising rates were not approved.
3. A 10% discount on sale of tickets by block was not approved.
4. Approximately \$775 of artist series tickets were distributed without collecting admission price.

Response: Corrective action has been taken whereby all tickets for the Artist Series are serially numbered.

Program advertising rates will be officially approved, and suggested rates have already been recommended to the President.

Effective for the 1974-75 fiscal year, discount sale of tickets by block was officially approved.

Comment: Other revenue matters as recorded on the records of the College which appear in need of revision are as follows:

1. The amounts charged and collected from fees for music preparatory, late assessment fees on traffic tickets, and miscellaneous sales in the library were not approved by the Board.
2. Receipts from students for lost books were recorded in the General Fund as a current refund to expense rather than as nonrevenue receipts in the Unexpended Plant Fund.
3. Receipts from the sale of copies and pencils were recorded as a General Fund current refund to expense rather than as a revenue item.
4. Receipts from other departments for materials and labor due to the printing department were recorded as a current refund to office materials and supplies

expense instead of a current refund to salaries and to office materials and supplies expense.

Response: Procedures and accounting practices concerning fees for music preparatory, late assessment fees on traffic tickets, and miscellaneous sales in the Library are under current review and continued effort will be made to comply with the Accounting Manual in general revenue matters referred to in this area.

Efforts will be made to bring all listing of receipts in conformity with the Accounting Manual's recommended procedures. This applies both to receipts from students for lost books, receipts for sales of copies and pencils, and receipts from other departments for materials and labor due to the Printing Department.

Comment: As reflected on the general ledger of the Restricted Current Fund, revenue from the Federal Government was overstated by \$36,204.44, revenue from the State was overstated by \$32,243.67, and other revenue was understated by \$20,000. The overstatement of revenue from the Federal Government and the State was caused by the Board improperly recognizing as revenue funds received for restricted purposes and which had not been expended by the Board as of June 30, 1974. Other revenue was understated in the amount of \$20,000 which represented an unrecorded account receivable at June 30, 1974.

Response: Continued efforts will be made to record and report revenue properly according to the Accounting Manual for Community Colleges.

## 6. Auxiliary Fund

Comment: Net operating profit was not accurately reported by the Board for auxiliary enterprises. Operating expenditures consisting of insurance, utilities, and administrative costs provided by other College departments were not included in the determination of auxiliary net operating profit. In addition, transfers were not made to the Unexpended Plant Fund for renewal and replacement of equipment.

Response: Procedures for establishing costs and reporting operating expenses such as insurance, utilities, and administrative costs provided by other College departments, etc., in harmony with the principles enunciated in College and University Business Administration, page 153, will be made. The operating of the auxiliary enterprises will be reviewed for the purpose of determining the need to establish provisions in the budget for mandatory transfers to the unexpended plant fund capital for the renewal and replacement of plant properties pursuant to the publication College and University Business Administration, pages 153 and 287.

## 7. Loan Fund

Comment: An examination of loan documents, control and subsidiary financial records, and notes receivable confirmations revealed the following deficiencies:

1. A reconciliation of Nursing Loan Funds collected by American National Bank and Trust Co., of Chicago with records of the College had not been made. An attempt to reconcile this account resulted in an unreconciled difference of \$5,078.22.

2. No adjustment has been made to the allowance for uncollectible notes receivable amount for the past two years. Aging schedules were not prepared by the College for the 1973-1974 year.

Response: The College is currently in the process of reconciling College records with the American National Bank and Trust Company of Chicago. When it is completed, notes receivable aging schedule will be prepared along with all adjustments as prescribed by the Accounting Manual for Florida's Public Community College, 1974, AICPA Audit Guide and appropriate external regulations.

#### 8. Scholarship and Endowment Fund

Comment: Funds for Florida Student Scholarship Loans and Florida State Nursing Loans, requiring repayment of the award or loan in money or services, were received and recorded in the Scholarship and Endowment Fund. Generally accepted accounting principles and recommendation of the American Council on Education suggest that student financial aid, which by its nature provides for repayment of funds advanced, either in cash or services rendered, should be classified as loan funds rather than scholarship funds. The proper accounting of these funds would have materially increased loan fund receipts and disbursements.

Response: These funds were originally coded as "Scholarships" because the College did not do the collecting. Since the period covered in the audit, this deficiency has been corrected.

Comment: Included in the Scholarship and Endowment Fund were several contributions designated as scholarships by the donor; however, the donor reserved the right to name the recipient of the award. These receipts were

classified as scholarship funds by the Board. I recommend that these monies be handled in the Agency fund for the use of designated students, as recommended in the publication COLLEGE AND UNIVERSITY BUSINESS ADMINISTRATION, page 195.

Response: Designated scholarships by the donor have been accounted for in the agency fund since July 1, 1974, as recommended in the publication College and University Business Administration, page 195.

9. Agency Fund

Comment: The Board had no written policies governing fiscal management and administration of agency funds.

Response: None.

10. Unexpended Plant Fund

Comment: Separate project ledger accounts required by Section 6A-8.104(4), Rules of the State Board of Education, were kept. However, the project ledgers were not posted as to the status of contracts with the architect and contractor, the original contract amount, and change orders. This exception was also noted in audit report No. XXXX, page 00.

Response: Procedures are being developed which provide the requisite information concerning the status of contracts with the architects and contractor. The original contract number and change orders are in the separate project ledger accounts.

11. Debt Service Fund

None.



## 12. Invested in Plant Fund

Comment: An examination of the accounts and records of the Invested in Plant Fund and the related records for tangible personal property as prescribed by Chapter 274, Florida Statutes, and the Rules of the Office of the Auditor General revealed the following deficiencies:

1. Records were inadequate to support the valuation of library books at June 30, 1974. Accounting entries had not been made to record book losses during the 1973-74 fiscal year. Although an inventory was taken by the library, no reconciliation was prepared to explain the amount of discrepancy with the general ledger control account maintained by accounting.
2. Subsidiary records were not currently posted and were not in agreement with the general ledger.
3. Current capital outlay purchases for 1973-74 were not reconciled to asset additions in the Invested in Plant Fund.
4. Disposals of tangible personal property were not recorded at least once a year. An amount other than what was approved by the Board was written off the records.
5. Tangible personal property items are being recorded at net cost instead of cost plus trade-in allowance. This results in an understatement of the cost of tangible personal property items.
6. A number of expenditures from grant funds for films and film strips were not recorded on the records.
7. The retirement of minor equipment at a predetermined rate as prescribed in the ACCOUNTING MANUAL FOR FLORIDA'S PUBLIC JUNIOR COLLEGES, 1968 was not followed.
8. The property records did not contain an indication of the condition of the item.

Response: Procedures are being developed to correct the deficiencies noted in the area "Investment in Plant Fund" and related records for tangible personal property.

Beta College

1. Fiscal Management

None.

2. Budget

None.

3. Revenue

None.

4. Expenditures

Comment: A classification and pay plan for noninstructional personnel with development of job classes and job specifications, including job description and education and experience requirements had not been adopted by the Board during the fiscal year 1973-74; however, these improvements were adopted by the Board effective for the 1974-75 fiscal year.

Response: Beta Community College has a salary schedule for the noninstructional personnel. It is true that we have not had full job specifications for each ladder in the salary schedule. This descriptive classification will be presented for the year of 1975-76.

One of the problems associated with giving specifics associated with each job in a small college is that our career personnel must be utilized in various capacities regardless of what their main duty might be. Thus, our classification and specifications for jobs will be for a broader scope than classifications for a larger school.

5. Educational and General Funds

None.

6. Auxiliary Fund

Comment: Net losses of \$6,621.00, \$5,462.45, and \$218.99 were reported for the housing, food service, and central stores operations, respectively. Allocation of indirect cost, utilities (except natural gas), and some custodial services were not charged to the operations and therefore these costs are not reflected in the net loss reported by the Board.

Response: Beta Community College showed a loss of \$6,621 in housing; \$5,462.45 in food services; and \$218.99 in Central Stores. Beta Community College leases housing from the Beta Dormitory Authority and did have a loss of \$6,621 and a loss of \$5,462.45 in food services also. Though these losses did occur, it is felt by those of us associated with Beta Community College that this is not necessarily an inherent and a bad thing. In both instances each individual service is not self supporting though services rendered were for the students of the college. The \$218.99 lost in central stores should be remedied without any great problem.

Again, may I refer to the fact that we are a small institution rendering the best service we can to the students of our school. Many of our students must live in the dormitories and eat in the cafeteria, so it would be extremely helpful and beneficial to Beta if these services were considered a part of the total auxiliary enterprise program and allowed us the privilege of balancing the accounts for all auxiliary enterprises rather than expecting each individual service to pull its own weight.

Comment: By lease agreement dated May 9, 1975, the Board extended the lease of the two dormitory buildings from Beta Dormitory Authority for the period July 1, 1973, to June 30, 1974. The agreement provided for the Board to pay the Authority for lease of said dormitory buildings the sum of \$2,100 per month. As was reported in prior audit report No. XXXX the Board continued to make repairs to the buildings though there were no provisions in the lease agreement regarding the responsibility for repairs to the buildings. As was noted in the officials response to the prior audit (report No. XXXX, page 00, paragraph 00), the contract, which was to be renegotiated effective July 1, 1974, was to be clarified regarding the responsibility for the repairs of the buildings rented.

Response: The lease agreement with Beta Dormitory Authority will be clarified to the extent that there can be no doubt as to the responsibility of the Board of Trustees of Beta Community College and the Beta Dormitory Authority.

7. Loan Fund

None.

8. Scholarship and Endowment Fund

None.

9. Agency Fund

None.

10. Unexpended Plant Fund

None.

11. Debt Service Fund

None.

12. Invested in Plant Fund

Comment: The value shown for land and buildings was determined by appraisal and is stated to be the replacement cost of the buildings as of December 15, 1970, and the market value of the land at June 30, 1974. As was reported in audit report No. XXXX, a subsidiary ledger containing pertinent information on each building and each tract of land to support the general ledger account has not been established.

Response: A program for showing of the values of land and buildings has been developed. A pencil copy is now complete and on file in the office of the Physical Plant Director.

A ledger for and/or computer printout will be made from the copy that now exists.

Comment: I was unable to determine the facilities included in and the basis of valuation of the amount reported by the Board for Other Structures and Improvements. A separate ledger sheet for each facility should be set up in a subsidiary ledger to support the general ledger account for Other Structures and Improvements.

Response: A program for showing the value of other structures and improvement is being developed. Electric lines, telephone lines, television lines, sidewalks, fences, parking areas, etc. have been included on a Master Plan. An effort is being made by the architect to identify and place the underground structures on the Master Plan also. All the structures should be on the Master Plan by June 30, 1975. The value of the structure should be made and should

be available for viewing easily during the school year of 1975-76.

Comment: The provisions of Chapter 274, Florida Statutes, and regulations issued thereto, regarding tangible personal property were not always complied with. Property items listed as missing or not found as determined by the Colleges' physical inventory were not properly accounted for. In some instances, the required information regarding a particular item was not shown on the property records.

Response: The inventory of tangible personal property has been made and is complete as of this date.

Comment: A reconciliation of acquisitions and disposals of furniture, machinery, and equipment was not made with the control account for tangible personal property. A reconciliation of this nature is necessary to determine that all tangible personal property acquired or disposed of is properly accounted for.

Response: Reconciliation of equipment purchased and deleted is almost completed at this stage and a balance should be obtained by June 30, 1975.

Comment: I was unable to determine the accuracy of the amount reported for books and films since no adjustments had been made in 1971-72, 1972-73, or 1973-74 for items disposed of.

Response: An inventory of books and films is now being updated. This inventory should be completed during the school year of 1975-76 so that an adjustment can be determined on items procured, retained, and disposed of.

## Gamma Community College

1. Fiscal Management

None.

2. Budgets

Comment: Original budgets and subsequent amendments for the General Current Fund, Restricted Current Fund, and Unexpended Plant Fund were correctly prepared as to form, adopted by the Board, and recorded in the appropriate budgetary accounts. The original budgets and all budget amendments, except for three submitted to the Commissioner after July 20, 1974, which required the approval of the Commissioner of Education were approved as submitted. The three budget amendments submitted to the Commissioner after July 20, 1974, were returned by the Commissioner without his approval in accordance with the provisions of Section 6A-8.105(3), Rules of the State Board of Education. Total budgets however were not overspent. Although not required, budgets were adopted and amended by the Board for the Auxiliary Fund, Loan Fund, Scholarship and Endowment Fund, and Agency Fund.

Response: July 20 is an unrealistic date to require all prior year budget amendments to be in the Commissioner of Education's office since the annual financial report does not have to be completed until August 15. Budget amendments may need to be filed after the 20th of July but prior to August 15. Every effort is made and will continue to be made to comply with this July 20 requirement.

### 3. Revenue

Comment: Student registration fees totaling approximately \$35,400 were collected prior to June 30, 1974, and were reported as revenue of the fiscal year 1973-74; however, those fees were applicable to the period subsequent to June 30, 1974, and should have been reported as deferred income at that date. Student registration fees collected prior to June 30, 1973, but which were applicable to the fiscal year 1973-74, were appropriately reported as deferred income at June 30, 1973, and as revenue of the fiscal year 1973-74.

Response: Student registration fees collected for Term B prior to June 30, 1974, were deposited and reported as revenue for the fiscal year 1973-74 in error. The only explanation for this incorrect handling of revenue is that a recently employed Chief Accountant apparently was not sufficiently familiar with state accounting rules and regulations.

Comment: Some fines were collected from students for violation of regulations relating to parking on campus. I was shown no legal authority for the imposition or the collection of such fines.

Response: Fines were and have been collected from students for violation of campus parking regulations. Other than suspending a student from college for parking regulation infractions, there is no practical way to control campus parking except through the levying of fines for infractions of established parking regulations. The Board of Trustees as of July 21, 1975 has made it a matter of Board Policy under State Board Regulation 6A-14.56 "Control and Discipline of Students" to levy fines for violations of established parking regulations.



Comment: Information was brought to my attention by College personnel that indicated some off-campus class attendance reports pertaining to the Adult Basic Education Program had been incorrectly reported in that persons reported as being in attendance at specific times could not have been physically present. The classes for which this information was verified (by comparison of jail records with College records) were conducted at the County Jail. It was not possible to similarly verify enrollments pertaining to classes conducted at other locations because of the absence of any independent evidence of attendance. Actions by the College as a result of these disclosures included the termination of an instructor and a supervisor connected with this program. As a result of the reporting differences noted, I recommend that the Board institute a thorough review of its administrative procedures in this area and provide for internal audits of reported enrollment including on-site verification of attendance by personnel independent of the registration and enrollment reporting system.

Response: As stated in the auditor's comments, this situation was brought to the attention of the State Auditors by college personnel. As further stated in the audit report the college has terminated the services of the instructor and the supervisor directly connected with this situation. All future activity of this nature will be more closely supervised and correctness of attendance and other reports are to be periodically verified.

#### 4. Expenditures

Comment: Dr. X retired as President of the College effective June 30, 1974. The Board appointed Dr. Y to succeed Dr. X. Dr. Y was appointed Interim President for the period May 1,

1974, through June 30, 1974, at an annual salary of \$32,000. Dr. X was granted extended professional leave for that two-month period and continued to receive salary payments from the Board at the annual contract rate of \$32,000. According to the Board's minutes he would be available to consult with the Interim President on an as-needed basis. I recommend that the Board develop and adopt procedures pertaining to the transition of personnel in administrative positions and establish guidelines relating to compensation to be paid to personnel of the respective administrative positions during transition periods.

Response: Development of a procedure pertaining to the transition of personnel in administrative positions including compensation to be paid during transition will be established should the circumstances involved in the referred-to transition of personnel reoccur in the future.

Comment: The Board made budget appropriations for promotion and publicity, and hospitality of business guests in the General Current Fund for the fiscal year 1973-74, pursuant to Section 6A-8.181, Rules of the State Board of Education. Expenditures for promotion and publicity, and hospitality of business guests totaled \$525.77 and \$1,878.78, respectively. Although funds were budgeted to be transferred from the Auxiliary Fund to the General Current Fund during the fiscal year 1973-74, no funds were actually transferred. In several instances, the records did not indicate what benefit, if any, accrued to the College from expenditures classified as hospitality of business guests.

Response: Sufficient unexpended funds from prior year transfers from Auxiliary Fund to General

Fund for Promotion and Publicity were available to cover the expenditures made for this purpose during the year 1973-74. Therefore, though budgeted, there was no need to transfer funds from Auxiliary Fund to General Current Fund. The warrants for all expenditures for promotion and publicity for Fiscal Year 1974-75 now indicate the benefits that accrued to the college. All future expenditures for these purposes shall indicate the benefit derived.

5. Educational and General Funds

None.

6. Auxiliary Fund

None.

7. Loan Fund

Comment: Approximately 20 percent of the letters mailed to confirm notes receivable balances at June 30, 1974, were returned by the post office as undeliverable. The Board did not have more current addresses and it was not feasible in the circumstances to apply alternative auditing procedures to determine the fairness of notes receivable reported by the Board.

Response: No response.

Comment: Administration fees earned from the Federal Government for administering the National Direct Student Loan Program and the Federal Nursing Loan Program were deposited in the Institutional Matching Loan Fund and subsequently used by the Board to match additional Federal funds. Those fees should have been deposited to the General Current Fund to defray a part of the cost of administering the Federal loan programs.

Response: The only explanation for this incorrect handling of revenue is that a recently employed Chief Accountant apparently was not sufficiently familiar with state accounting rules and regulations.

Comment: The above tabulation shows that a substantial portion of student loans were past-due at June 30, 1974. Procedures used by the Board during the audit period for the collection of delinquent loans were limited to periodic notices sent by first-class mail to loan recipients. Shortly after the close of the audit period most past-due loans were turned over to a professional collection agency.

Response: As of May 1, 1975 all National Direct Student Loans and Federal Nursing Loan notes were turned over to Wachovia Services for accounting and collection by action of the Board of Trustees. This organization has proved very successful in its handling of college student loan accounts for literally hundreds of colleges across the country in the past and should, therefore, have our student loans on a more current basis in the near future.

8. Scholarship and Endowment Fund

None.

9. Agency Fund

Comment: The fund balance of the Agency Fund at June 30, 1974, as shown on the accompanying financial statements includes amounts classified as gifts and totaling \$7,970.92 which do not meet the definition of agency funds as established by the American Council on Education. The nature of those balances was discussed with administrative personnel for the Board and it was suggested to them

that those funds should be accounted for in the Restricted Current Fund or the General Current Fund as appropriate.

Response: All such accounts previously handled through the agency fund will be handled in accordance with the method established by the American Council on Education in the future.

10. Unexpended Plant Fund

None.

11. Debt Service Fund

None.

12. Investment in Plant Fund

Comment: The values of land, other structures and improvements, and minor equipment as shown on the accompanying balance sheet were not supported in verifiable detail in the records of the Board. Additions to plant assets during the fiscal year 1973-74 were not reconciled with capital outlay expenditures for that same period.

Responses: The college attorneys are continuing their efforts to obtain from the County Board of Public Instruction the deeds and values for the campus property. Every effort shall be made to reconcile additions to Plant with Capital Outlay expenditures.

Comment: The provisions of Chapter 274, Florida Statutes, and the regulations issued pursuant thereto were substantially complied with; however, property records corresponding to items disposed of during the fiscal year 1973-74 did not show pertinent information such as date of disposition, type of disposition, and amount received on sale or trade-in, where applicable. Considerable

improvement was made in procedures which, if followed consistently, will ensure the agreement of subsidiary records with control accounts. Some items of tangible personal property selected for physical inspection were not located.

Response: The form used for Board approval for disposing of obsolete, worn-out, stolen items has been revised so that the Chairman's signature on the form guarantees that no additional items were added to the list after approval by the Board and signature by the Chairman.

#### Delta Community College

##### 1. Fiscal Management

Comment: In September of 1973 one of the Board's bank accounts was temporarily overdrawn by some \$223,000 which is contrary to Section 6A-8.104(2), Rules of the State Board of Education.

Response: Concur.

Comment: The District Board of Trustees employed a full-time Internal Auditor on May 6, 1974, who is directly responsible to the Vice-President for Administrative and Business Services. In order to provide more effective management and internal control it is recommended that the organizational structure be amended to allow for a joint responsibility to the President or his designated chief business officer and the Board. It is also recommended that the audit reports and findings be submitted concurrently to the Board and to the President.

Response: The Board has directed that the internal auditor be responsible to the Vice President for Administrative and Business

Services (chief business officer). This is in consonance with the position taken at the Institute of Higher Education University of Florida, Chief of the Bureau of Fiscal Administration, Division of Community Colleges, State Department of Education.

Comment: The Board filed a cost analysis report for the fiscal year 1973-74 as required by Section 6A-8.21, Rules of the State Board of Education. My examination indicated that in some instances operating costs were not accurately reported in accordance with the costing techniques as prescribed by the Commissioner of Education. My examination did not include a review of the design or adequacy of the cost analysis system. My specific exceptions are summarized as follows:

1. Data accumulation sheets used by the College to prepare the cost analysis report were poor, incomplete, and unsatisfactory for review purposes. Data Sheets were not sufficiently titled for identification, sources of data were not adequately identified, reconciliations were inadequate, and data sheets were not well organized or cross-referenced.
2. The report instructions required the complete elimination of the College's expense of fee waivers from the fiscal year expenditures; however, the adjustment made did not include granted fee waivers in the amount of \$9,302.
3. The College's cost of personal benefits, employer retirement and social security matching, and hospitalization insurance expenses totaled \$979,221 and was to be allocated as a "salary" expense and eliminated from the "current expense". Only \$788,719 was adjusted for the preparation of this report.

4. Depreciation charges totaling \$915,864 were reported by the College; however, my review of this expense indicated that this amount understated depreciation by \$20,472.

Response: Concur; however, the discrepancies disclosed are not material as to funding.

2. Budgets

None.

3. Revenue

Comment: Subsequent to June 30, 1974, audit tests were made of the 1975 enrollment reports of three Adult Basic Education courses being taught in penal institutions. Penal institution records indicated that many of the students included on the College's Initial Enrollment Reports, to qualify for State Community College Program Fund monies, were not physically present or available at the appropriate penal institution on the "last day on which students may either register for or drop courses" under the provisions of Section 6A-14.76(1)(b), Rules of the State Board of Education, 1974. The reported enrollment for the three Adult Basic Education courses mentioned above generated \$7,327 of revenue for the College from State funds. The following discrepancies were noted:

1. Students were included who were released by the penal institution prior to the last day to add or drop students, the date on which the College was to base its enrollment.
2. Students were included who were transferred to the State's prison system as early as two months prior to the last date to add or drop students.



3. Students were included who were previously transferred to other local holding institutions as early as two months prior to the last date to add or drop students.

The College conducted several off-campus classes at the penal institutions and at other locations in connection with its Adult Basic Education Program. The lack of internal control over enrollment and attendance reporting procedures precluded the use of postaudit verification procedures except in classes of the nature mentioned above. I recommend that the Board institute a thorough review of its administrative procedures in the area of its Adult Basic Education Program and provide for internal audits of reported enrollment including on-site verification of attendance by personnel independent of the registration and enrollment reporting system.

Response: The Auditor General's preliminary and tentative report for July 1, 1973, to June 30, 1974, with subsequent audit test of the 1975 enrollment reports of the Adult Basic Education Classes at local penal institution show discrepancies in the Initial Enrollment Reports.

A follow-up study and investigation of the reported discrepancies by this office substantiate that the findings of the audit are correct. The three classes in question showed an initial enrollment of fifty-nine students. Seven of these reported students were either released or transferred prior to the initial enrollment period and should not have been included in the initial enrollment report.

To preclude this reoccurrence, the following corrective actions have been taken:

1. The classes at the City Jail have been temporarily closed.

2. A study is being made of the jail to determine what Adult Basic Education format is best suited for the jail in light of its highly transitory population.
3. Appropriate jail officials have been informed of the temporary closing of the classes and enlisted for recommendations as to a solution.

The current high turn-over rate of inmates at the City Jail coupled with the current court order against local jail facilities present a situation not conducive to the previous classroom instruction arrangements.

A study of the Adult Education service needs of the jail will be completed and the Adult Basic Education services resumed at the City Jail.

Comment: Collections. My test of procedures, policies, and internal controls with regards to collections revealed the following weaknesses:

1. Bank validated deposit slips were generally not used as the source document to post bank deposits to the general ledger.
2. Forms normally used for credit registration and fee receipt were not pre-numbered by the vendor printer.
3. Receipt forms produced on a copy machine were used by the Board for credit registration during periods of equipment and electrical power failures. The registration system should anticipate these emergency conditions and provide alternate internal control procedures and receipt forms prenumbered by the printer.
4. Procedures were not established or in effect for a fee audit of the non-credit registrations. Periodic reconciliations should be made between

collections, registration forms, and prenumbered receipts.

5. An accounting was not provided for the assignment and usage of some prenumbered receipt forms which were used in the collection of miscellaneous receipts such as bid deposits and student payments on notes receivable.

- Response:
1. Bank validated deposit slips are now used to document the source documents to post bank deposits to the general ledger.
  2. Concur. It is the contention of the College that the sequential program for numbering provide adequate internal control over the credit registration receipts. Internal control over receipts appears to be adequate.
  3. Concur.
  4. Concur.
  5. Concur.

#### 4. Expenditures

Comment: The following exceptions were noted in my review of procedures, records, and internal controls exercised over salary expenditures:

1. As reported in audit report No. XXXX, there is a need for more standardized job descriptions, including training and experience, which should be formally adopted as a part of the personnel policies.
2. Personnel files of selected employees were examined and the following weaknesses noted:
  - A. Evidence of a health examination required by Section 404.10 of the College Operating Manual was not on file in some instances.
  - B. In some instances an employee authorization for deduction of employee insurance could not be located.

3. As reported in audit report No. XXXX, hand kept time cards used by many part-time employees showed only the number of hours worked each day. These records should indicate the hours and time of day that work was performed.
4. Section 230.7601, Florida Statutes, requires that each full-time instructor teach a minimum of 15 contact hours per week. This requirement, however, may be reduced upon approval of the President if the instructor is assigned other specific duties. My audit tests disclosed eight exceptions applicable to five instructors during the fall and winter semesters, who did not teach the required 15 classroom contact hours. I requested but was not furnished any documentation to indicate the President's approval for these five instructors to teach less than the required contact hours.
5. Procedures currently being used by the Financial Aids Office for the distribution and collection of student employee's time cards allow the student to have access to the time card after the employee's supervisor has signed and authorized the time card. Internal control would be improved if the time cards were delivered directly from the students' supervisor to the financial aids representative who audits the time card without the student having access to the card thereafter.

Response: 1. Concur.

2. A. The district Board of Trustees Policies take precedence over the College Operations Manual. The Board Policies merely state "may require."
- B. A review will be made to insure that deductions for voluntary employee insurance are on file.

3. It is felt that the detailed schedule of work for the employee covering actual hours and days of work should be maintained by the budget account signer for use in preparing the time card used for pay purposes. The College is not aware of any statutory or regulatory requirement that the time of day work was performed must be indicated on the time cards.
4. The cases cited were approved by Deans but did not have the written or delegated approval of the President. This was due to administrative oversight. A system has been put into effect which delegates authority to Provosts to approve assignments in lieu of classroom contact hours up to five (5) hours. Other assignments in excess of five hours are approved in writing by the President. These approvals are maintained on file in the faculty member's official file of the College.
5. Procedures have been implemented which require supervisors to cause time cards to be delivered directly to the financial aid representative, precluding any access to the card by the student after the card is signed by the supervisor.

Comment: Some faculty and staff fellowship projects administered during the 1973-74 fiscal year did not have the required program evaluations on file with the Director of Staff and Program Development.

Response: All projects are now closely monitored as to program evaluations. All completed projects have evaluations on file.

Comment: My review of payments to vendors subsequent to June 30, 1974, revealed numerous instances where goods or services were received prior to June 30, 1974, for which the

expenditures were not accrued at June 30, 1974. These expenditures totaling \$9,992 were recorded as an expense of fiscal year 1974-75 when, in fact, they related to 1973-74 operations.

Response: This is technically true. An effort was made to accrue accounts payable at 6/30/74. The effort could have been more extensive and attempts will be made to rectify this at 6/30/75.

Comment: Insurance policies currently in force were filed centrally and were available for inspection. Insurance expenditures were not made pursuant to competitive bid; however, one insurance policy was purchased under a City of XXXX contract agreement, pursuant to Section 6A-8.12(1)(C), Rules of the State Board of Education. Although bids are not specifically required by law for the purchase of insurance, the Attorney General states that the best insurance protection available must be purchased by public boards at the least cost to the taxpayer (see opinion No. 058-325). It is recommended that competitive bids be obtained as a matter of good business policy.

Response: Concur.

##### 5. Educational and General Funds

Comment: The Board continued to allow individuals on extended professional leave to accrue sick and annual leave benefits during their absence which is contrary to Section 6A-8.7211, Rules of the State Board of Education. As recommended in audit report No. XXXX, and as concurred with by the Division of Community Colleges in a letter to the President of Delta Community College, I again recommend that appropriate adjustments

be made to the leave balances credited to applicable personnel.

Response: Attached are the following:

1. Vice President for Administrative and Business Services' letter to Board Attorney (April 4, 1975).
2. Board Attorney's letter (April 11, 1975).
3. Vice President for Administrative and Business Services' letter to the Division of Community Colleges (April 16, 1975).

Comment: In some instances, the individuals participating in the extended professional leave program had not filed the written report required by the Board's Staff and Program Development plan identifying the benefits to the individual and to the College which accrued from the professional leave.

Response: The deficiencies mentioned in the finding have been corrected and procedures have been established to preclude reoccurrence.

It behooves the College to understand why "the required written report identifying the benefits . . . to the College which accrued from the professional leave" is rendered as a criticism, when the preceding Finding "mandates" denying and taking away leave from the employee on authorized leave with pay. SBE Regulation 6A-8.7251 states:

Professional leave is defined as leave granted to an employee to engage in activities which will result in his professional benefit or advancement, including earning of college credits and degrees, or that will contribute to the profession of teaching or to the benefit of the institution. . . . and will be primarily for his benefit or that of the teaching profession, and only incidentally for the benefit of the board.

It is respectfully requested that if the College benefits as stated in this Finding then the employees are entitled to leave and all other benefits granted by the District Board of Trustees.

6. Auxiliary Fund

Comment: The following deficiencies were noted in the operating procedures of the bookstores:

1. Procedures used to calculate Florida sales tax payable on bookstore sales were not adequate. The accounting system does not provide separate accounts to record taxable and nontaxable sales to facilitate the recording of sales taxes collected. A review of the preparation and recording of bookstore sales summaries for the month of June 1974 showed two amounts recorded as interdepartmental sales which were actually sales taxes payable. The classification errors resulted in an underpayment for the month of June 1974 of \$157.07 to the State of Florida, Department of Revenue.
2. Interdepartmental sales by central stores were not recorded until a check was issued in payment of the sale.

Response: 1. Bookstore sales are not currently broken down into taxable and nontaxable categories. Therefore, the only way to determine the amount due the State is to use the amount recorded as sales tax payable. If a misclassification occurs, remittance to the State will not be proper. Solicitations are being requested for the Bookstore operation under a lease arrangement. Interdepartmental sales will be removed from the Bookstores and placed under the Business Affairs Offices at each Campus with a Central Warehouse. This should eliminate this finding in future audits.



2. A restructuring of all invoices and sales is planned. It is anticipated that this will be accomplished by July 1, 1975.

Comment: The Board's Auxiliary Fund statements do not include the cost of renewal or replacement of equipment of the direct and indirect expenses, such as salaries and utilities, paid by other funds for these enterprise activities.

Response: Concur.

Comment: Periodic operational reports prepared for auxiliary services, in my opinion, did not provide all of the necessary information for efficient management purposes. Statements that were prepared were not furnished to all levels of management. Some examples are (1) operating statements were not prepared for each bookstore facility so that operational results by location would be clearly apparent; (2) bookstore managers were not furnished periodic operating statements to evaluate their performance and from which corrective operational procedures may be effected; (3) only two statements of operations were generated during the fiscal year for bookstore operations and were for the periods July 1, 1973, to January 31, 1974, and July 1, 1973, to June 30, 1974.

Response: Concur.

Comment: The Board's Internal Auditor in the report "Recommended Bookstore Financial Statements" dated August 19, 1974, suggests methods by which operational statements could be made more effective.

Response: No comment. This is a statement of fact.

Comment: The Board provides a textbook buy-back operation for the College students and resells the used books through the book-stores. Textbook buy-back operational overages and shortages were not identified or recorded in the accounting records. Controls should be established to ensure that these transactions are properly recorded.

Response: This problem is minor and will be remedied immediately.

Comment: The Board did not have on hand at June 30, 1974, the food service vendor's performance bond which was required by the agreement between the parties to be posted prior to the start of the vending operations. Proof of the vendor's performance bond was obtained after the close of the audit period.

Response: No comment.

#### 7. Loan Fund

Comment: Board policy, section 6.3, authorizes the College President to establish a Financial Aid Board with authority to approve all financial assistance policies. The College's Operations Manual, Section 606.3, states that the Financial Aid Board established by the College President shall develop criteria for awarding tuition waivers, scholarships, loans, grants-in-aid, work programs, and financial assistance to students. Although this was called to the attention of the Board of Trustees in audit report No. XXXX, I could not find any written policies and procedures approved by this Board or any evidence that a Financial Aid Board was functioning. The Director of Financial Aid, however, did establish and follow guidelines for the granting of financial aid.

Response: The Financial Aid Board has been formed. They will continue making recommendations on priorities and procedures. A copy of the charge to the Financial Aid Board will be filed with the Board of Trustees.

Comment: The procedures approved by the District Board of Trustees relative to the Delta Community College (DCC) Student Loan Fund state that "This loan is to cover the cost of tuition, matriculation, and special fees only." It was noted that 74 of these loans approved for the winter semester 1973-74 also included authorizations for the purchase of books and/or supplies.

Response: When this discrepancy was called to the attention of the Financial Aid Office by the Auditor it was discontinued immediately. Funds from the DCC Student Loan Fund are no longer provided to cover the purchase of books and/or supplies.

Comment: Disclosure by the Board of the "truth in lending" provisions of the Consumer Credit Protection Act to students receiving financial aid was not made. Disclosure is required by the agreement with the Department of Health, Education, and Welfare, and should be made at the time the loan commitment is made and at the time the loan repayment schedule is executed.

Response: When this discrepancy was called to the attention of the Financial Aid Office by the Auditor, immediate corrective steps were taken. Presently Truth and Lending statements are executed in the case of all student borrowers for whom the College acts as lender. In all other cases, in which the College acts as an intermediary, the Truth and Lending statement is obtained by the Lender.

Comment: During the fall semester of the 1973-74 academic year, short-term loan authorizations were issued in excess of the amount of cash available to cover such loans. This procedure created delays in writing checks to some recipients as well as creating record keeping problems. I recommend that procedures be adopted by the Board to ensure that loans are not authorized in excess of the funds available.

Response: Better computer printout records are now available that enable the Financial Aid Office to know more accurately what balances are in the various short term loan accounts. These records are carefully monitored to prevent a reoccurrence of this situation. The Financial Aid Board will be asked to review procedures to insure safeguards are adequate in this area.

Comment: Internal controls for the Loan Fund operations needed improvement. The custodian of the notes receivable was in possession of a \$2,000 change fund, collected payments on the notes receivable, and was permitted to originate general ledger entries to the notes receivable accounts. Consideration should be given to the following recommendations for changes in the Loan Fund operations: (1) elimination of the change fund, (2) require notes receivable collections to be made by the cashier, and (3) transmit a copy of the receipt to the custodian of the notes for appropriate action.

Response: Concur. Steps are currently being taken to remedy this situation.

Comment: A fiscal agent in Winston-Salem, North Carolina, handled current collections of the National Direct and Federal Nursing Student Loans. The Board during the audit period, continued to maintain a demand

deposit bank account and a clearing account in North Carolina with a fiscal agent. Section 6A-8.13(1)(b), Rules of the State Board of Education, requires Board funds to be deposited in banks authorized to do business in the State of Florida. These accounts were closed by the College after June 30, 1974.

Response: Concur.

Comment: The Board used collection letters, an attorney, and a collection agency to secure payment on delinquent loan accounts. Notification to the student recipient relative to past-due accounts appeared to be timely. Collection expenses were correctly recorded as operating costs of the General Current Fund. The collection agency agreement provided for a commission at the rate of twenty-five (25) percent of the amount collected to be paid to the collection service upon the collection of delinquent accounts. The agreement with the collection service terminated on May 15, 1974, and was not renewed.

Response: No comment.

Comment: Individual students' notes receivable balances were selected on a test basis and confirmation letters were mailed direct to the students. The results of my tests substantially verified the accuracy of the notes receivable. I did note, however, that approximately 10% of the confirmation letters mailed were returned by the post office as undeliverable, indicating the College's records of these debtors is not currently maintained.

Response: Due to the transient nature of the DCC student population, it is extremely difficult to maintain accurate address records.

However, Financial Aid applicants are advised in their Financial Aid Application and Award Letters that they must keep the Financial Aid Office advised of their address at all times. The Financial Aid Board will be asked to review the procedure to see if it can be improved.

Comment: Delinquent loan accounts totaling \$1,881 were written-off during the fiscal year pursuant to the Rules of the State Board of Education, Section 6A-8.191. The Board's provision for uncollectible accounts, at June 30, 1974, in the amount of \$600 does not appear to be sufficient.

Response: Concur. However, this involves additional historical data to establish a more adequate rate.

#### 8. Scholarship and Endowment Fund

Comment: Funds for Federal Law Enforcement Scholarship loans and Florida Student loans requiring repayment of the award or loan in money or services were accounted for in the Scholarship and Endowment Fund. The American Council on Education recommends that student financial aid, which by its nature provides for repayment of funds advanced either in cash or services rendered be classified as loan funds rather than scholarship funds. After the close of the audit period, these funds were transferred to and accounted for in the Loan Fund.

Response: No comment.

#### 9. Agency Fund

Comment: Deposits refundable, as shown on exhibit A, totaled \$8,763.18 and is primarily composed of bid deposits. A detail listing of vendors and amounts making up the \$8,763.18

was not furnished me upon my request. I recommend that a review of these deposits be made, and a detailed subsidiary record be established to support the amount shown on the financial statement.

Response: A review of these deposits is being made currently and a subsidiary record will be established.

10. Unexpended Plant Fund

Comment: The scheduled contract completion date for the recreational facilities at DCC was April 9, 1974; however, the facilities were not completed at June 30, 1974, and there were no change orders to authorize any extension of the original completion date nor had any penalties been assessed.

Response: Concur. Resolution is in process.

11. Debt Service Fund

None.

12. Investment in Plant Fund

Comment: During the fiscal year, tangible personal property totaling \$2,633.78 was presented to and approved by the Survey Board to be written off the records. An inventory of library books made during the audit period resulted in books totaling \$75,749.27 being written off the accounting records due to loss or theft over a three year period. The District Board of Trustees should review all of its physical facilities where books are kept, as well as control procedures established for the use of books, in an effort to improve controls over these assets.

Response: This problem relates back to a problem corrected approximately two years ago. The recent loss record appears to be very low.

Security for books has been increased by the addition of walls to control traffic flow. A study is currently underway to determine if electronic book detection devices would further protect library materials. A review of book control procedures is made on a once-a-term basis to remove high risk books from general "circulation" status to a more secure "reserve" status.

#### Epsilon Community College

#### 1. Fiscal Management

Comment: Current assets were in excess of current liabilities; however, in the Restricted Current Fund, liabilities totaling \$1,742.77 had not been recorded and were not reported in the balances at June 30, 1974.

Response: Goods received prior to June 30, 1974, were not fully checked and accepted for payment until subsequent to June 30, 1974. However, such items were shown in the statements as encumbrances (purchase orders issued for such goods) and were reflected as restricted fund balances at June 30, 1974.

Comment: The Board is required by Section 6A-8.11, Rules of the State Board of Education, to submit an annual report on or before August 15 of each year to the Director of the Division of Community Colleges. The report for 1973-74 was not submitted until August 27, 1974. Audit report No. XXXX, paragraph 12, discussed the late submission of the report for 1971-1972.

Response: The report for 1973-74 was submitted to the Board at the regular August 1974 meeting



which was held subsequent to the August 15th submission date. However, for 1974-75 the Board held a special meeting to insure that the annual report was submitted as required.

Comment: The Board's minute book did not contain an alphabetical index. The marginal index which was used does not provide an adequate reference source. It is recommended that for easy reference to actions taken by the Board that an alphabetical index be maintained.

Response: An alphabetical index of major actions of the Board is currently being developed and should be completed in the immediate future.

Comment: Journal entries made during 1973-74 were adequately supported and properly explained. Many journal entries, however, were not approved by a proper administrator above the persons who prepared the vouchers, for example:

<u>Journal Voucher</u>	<u>Journal Voucher Numbers</u>
<u>Prepared by</u>	
Central Cashier	028;888;926;955;972;991; 1013;1033;1057;1282; 1312; and 1320.
Payroll Accountant and Computer	
Programmer/Operator	002;078;887;913; and 1105.

Response: Our review of Journal Vouchers made during 1973-74 indicated that the Business Manager and/or Chief Accountant had approved the Journal Vouchers developed by subordinates. However, in the future a closer review of Journal Vouchers will be established to insure that no one below the position of Chief Accountant may approve a Journal Voucher.

Comment: The library collected book fines, charges for lost books, and fees for copies furnished to individuals. When library collections were remitted for deposit, the central cashier wrote receipts for these monies. The collections were not remitted more often than once a month. There was no Board policy of the amounts to be charged for overdue books.

Response: The librarian has been instructed to remit collections to the Business Office at least every two weeks and more often if receipts total a certain amount. Further, in the immediate future an internal procedure will be developed indicating the amount to be charged for overdue books.

Comment: The following deficiencies in internal control should be corrected:

1. Listings were not made of collections received by mail. A list of collections should be prepared by each person opening the mail, and the list should later be compared by another person to the records of amounts deposited by the cashier.
2. The central cashier was responsible for maintaining the records of accounts receivable. These records should be kept and controlled by someone that does not handle collections.
3. Operation of the check signing machine was not always observed or verified by a person other than the person operating the machine. This should be done and made a matter of record.

Response: Internal control deficiencies:  
As to (1) - A system of listing collections by various individuals who receive mail with collections appears to be inadequate for the current function of the College. However, all monies that are receipted by any

individual are immediately turned over to the central cashier and a receipt is developed for each payee. Unlike as in many other business entities, mail and/or remittances are not submitted to one office and it is not uncommon for almost every office in the College to receive some collections throughout the year. However, we will study further this recommendation to see if it may be implemented in a manner which could enhance internal control.

As to (2) - Because of the size of the Business Office, it is the responsibility of the central cashier to maintain accounts receivable. However, cross references as to the accounts receivable are maintained by such offices as the Student Financial Aid Office Chief Accountant's Office, and the largest amount of accounts receivable--student loans--is handled by a special service which sends control accounts of these receivables directly to the Chief Accountant rather than to the central cashier. Hopefully, in this manner controls are developed which will not impede the internal control because the central cashier maintains the accounts receivable. We will study this area of internal control to see if a better system may be developed in the immediate future.

As to (3) - A detailed listing of all daily disbursements is provided to the Business Office and periodically verified with the check signing log. However, initialing of the check signing log by someone other than the individual who operates the check signing machine will begin in the immediate future.

Comment: Accounts receivable reported by the Board in the General Current Fund totaled \$19,791.67 at June 30, 1974. This amount erroneously includes \$1,623.25 for various accounts

which were paid or canceled prior to that date.

Response: The amount of \$1,623.25 which was erroneously shown in accounts receivable resulted in duplicate billings being recorded in accounts receivable. Immediately subsequent to the field audit work when this item was noted, duplicate billings were made in a different color and were marked "duplicate billing". Subsequent to this corrective action, the detailed subsidiary accounts have been balanced to the General Ledger without any duplication and it is felt that this has corrected the problem.

Comment: The July 1, 1973, balance for the General Current Fund as reported in the Board's summary of fund operations, exhibit B, included investments in United States Treasury Notes totaling \$123,756.05 that were not properly recorded at their cost of \$121,570.31, a \$2,185.74 difference. These notes were sold by the Board during 1973-74 and due to the value errors, the interest earned was not properly recorded in 1972-73 and 1973-74.

Response: Noted. Future investments will be reported at cost.

2. Budgets

None.

3. Revenue

Comment: The Board reported \$37,662.27 in the Restricted Current Fund as being support from the State. This was actually funds from the Federal Government that were distributed through the State and which should have been reported as support from the Federal Government.

Response: The amount of \$37,662.27 was erroneously posted and controls and information to the cashier have been issued to insure that such posting error should not recur.

Comment: Adequate records were not maintained to show that required fees had been collected from some students registered for noncredit courses. Fees were not charged for four noncredit courses. Board minutes did not show whether or not fees were to be charged.

Response: Subsequent to the audit period, all non-credit courses were taken to the Board and proper fee schedules were indicated in the Board minutes. Further, several internal forms indicating such courses are maintained by the academic section for auditors' review.

#### 4. Expenditures

Comment: Although prior employment was used as a factor in computing salary rates, evidence showing verification of prior employment was not on file for some employees as required by Board policy.

Response: Verification of prior employment was not maintained on some non-instructional, administrative and faculty personnel. However, subsequent to the audit period, all full-time faculty members hired have verification of employment letters on file. It should be noted that on most non-instructional personnel and some administrative personnel that the College does not verify all employment data in writing. The College uses some written employment verification and other forms of verification to insure work experience.

Comment: The Board did not have signed authorizations on file for the deduction of group life insurance premiums for some employees.

Response: All employees now have on file a deduction form for all payroll deductions, other than statutory required.

Comment: Leave records contained numerous mathematical errors.

Response: Corrected.

Comment: Personnel files maintained for some part-time employees contained only a copy of each employee's W-4 form and loyalty oath. It is suggested that all personnel files include an application for employment and any other pertinent information.

Response: An application which will include general employment data and other pertinent information will be developed and implemented in the immediate future for part-time personnel.

Comment: Filing equipment used for personnel files for some terminated employees did not appear to meet the fire protection requirement as specified by Section 6A-8.751(3), Rules of the State Board of Education.

Response: Corrected immediately after notification by the field auditor of the deficiency.

5. Educational and General Funds

None.

6. Auxiliary Fund

Comment: Auxiliary Fund enterprises are intended to be self-supporting; however, except for long-distance telephone services, overhead

expenses were not charged to the bookstore.

Response: Future reports will allocate some overhead expenses to the Bookstore operation.

Comment: The bookstore made charge sales to other College departments on prenumbered invoices that were periodically submitted to the accounting department for processing. Charge sales were also made to students under the Veterans Administration - Vocational Rehabilitation Program, State Vocational Rehabilitation Program, and the Bureau of Medical Surgery Program. Students in these programs that charged books and supplies were required to sign a form showing items purchased, date, quantity, unit price, and total price. For better controls over charge sales to these students, the Board should use prenumbered invoices.

Response: Subsequent to the audit period, prenumbered charge sale slip were developed by the Bookstore for use in all charge sales.

#### 7. Loan Fund

Comment: The President approved procedures which provided that the Financial Aid Officer was responsible for the awarding of short-term loans. Procedures in effect did not require students requesting short-term loans to submit an application. The only support for short-term loans issued during the audit period was a copy of the promissory note signed by the student and the Financial Aid Officer. Subsequent to the end of the audit period, the College's procedures were revised to provide that students requesting short-term loans are to complete a loan application.

Response: Noted.

8. Scholarship and Endowment Fund

None.

9. Agency Fund

None.

10. Unexpended Plant Fund

Comment: Separate project accounts were kept in the general ledger. A subsidiary project account was also kept for the Learning Resources Center; however, the Board did not maintain a subsidiary project account for the tennis courts project as required by Section 6A-8.104(4), Rules of the State Board of Education.

Response: Subsequent to the audit, a project ledger for the tennis courts was prepared.

Comment: The Board when requesting bids for the construction of the College's tennis courts, did not publish the advertisements for bids as required by Section 6A-8.210, Rules of the State Board of Education.

Response: Internal procedures have been developed which will insure that on any future bids, wherein advertisement of bids are required, the College will properly advertise such bids. However, it should be noted that the bid referred to in the audit report were mailed to seven (7) prospective bidders.

Comment: The contract for the purchase and installation of fencing for the College's tennis courts did not include a provision for partial payments before the work was completed. However, during the audit period, two partial payments of \$2,000 each were



made by the Board without documentation from an expert source showing that work in the amount of the partial payments had been completed.

Response: The construction of the fencing of the tennis court was made in several stages. In each case the individual who verified and certified the completed project, insured that such "partial work was completed in accordance with the bid and purchase order documents." However, in the future, payments for construction--unless indicated in the contract or purchase order documents--will be withheld until final completion of the project.

11. Debt Service Fund

None.

12. Invested in Plant Fund

Comment: The \$107,539.39 reported for land at June 30, 1974, improperly includes expenditures during the prior fiscal year of \$1,553.72 for surveying services and \$1,872 for the purchase of fill material. These should have been shown as other structures and improvements.

Response: Corrected subsequent to the audit period.

Comment: The records and procedures for tangible personal property generally complied with Chapter 274, Florida Statutes, and the regulations issued pursuant thereto. The records still did not show the condition of the property at each inventory, as was noted in audit report No. XXXX, paragraph 92, and did not contain adequate information as to how some items were disposed. Warrant numbers of purchases were properly included in the records.

Response: Corrected subsequent to the audit period.

Comment: As was also mentioned in audit report Nos. XXXX, page 18, and XXXX, paragraph 90, plant ledgers with historical cost for buildings were not kept.

Response: Plant ledgers were developed and maintained for a short period of time. However, because of a change in personnel such ledgers were not fully developed during the audit period. However, the Business Manager has been instructed that such plant ledgers shall be developed in the immediate future and maintained on a continual basis.

Comment: Overall, records on library books continued to be adequate; however, as was noted in audit report No. XXXX, paragraph 96: (1) no reconciliations were made between the total of the library cards and the balance recorded in the fixed asset account in the general ledger; (2) library books that were lost, stolen, or disposed of were not reported to the business office to be written off the ledger account; and (3) donated books were not reported for addition to the fixed asset account.

Response: The librarian and the Business Office are coordinating efforts to insure a correction of this deficiency. It is expected in the immediate future that such records and controls will insure that the subsidiary records maintained in the library will be balanced to the general ledger accounts.

## Zeta Community College

1. Fiscal Management

Comment: Fines collected at the library were not receipted on prenumbered receipt forms, nor were the monies collected deposited on a timely basis. In addition, undeposited collections were used for change funds; as a result, receipts were not deposited intact. I recommend that prenumbered receipt forms be used for library collections; the Business Office establish a fixed sum change fund; and collections be deposited on a timely basis and intact. The College President's response to the prior audit report indicated that such action would be taken.

Response: During last year, in response to a response to a previous audit criticism, a machine for issuing prenumbered receipts was ordered for the Library. However, when received, this machine had to be used at another location on campus due to the theft of an existing machine. For over two months we have had another receipting machine on order, and we will institute the recommended procedures when it is received. During the interim period, we are keeping a cash journal which is updated daily, and receipts are made to the Business Office monthly, usually in the amount of approximately \$20.

Comment: The employee in the Business Office who operated the check signing machine was also responsible for updating the payroll register, distributing payroll checks, reconciling the payroll bank account, and maintaining the personnel files. To the extent that it is practicable with the limited number of personnel, I recommend that such incompatible duties as listed

above be segregated. For those duties that cannot be segregated, I recommend that a responsible College official closely review or verify the work performed on a regular basis.

Response: Due to the small size of our Business Office staff, the segregation of duties called for cannot fully be implemented. However, a responsible College official, the Business Manager, does review work performed during the payroll function.

## 2. Budgets

Comment: The original budget was correctly prepared, adopted by the College Board of Trustees, and approved by the State Commissioner of Education. Several year-end budget amendments were not promptly approved by the Board and the State Commissioner of Education as required by Section 6A-8.105, Rules of the State Board of Education.

Response: Recently purchased accounting programs for our computer should enable us to avoid such year end adjustments at the conclusion of our present fiscal year.

## 3. Revenue

Comment: The College charged a tuition fee of \$70; however, Section 6A-8.61, Rules of the State Board of Education, requires out-of-state students to be charged a tuition fee of not less than \$75. The College did not assess a separate student activity fee.

Response: The out-of-state fee structure has been corrected and is in compliance with State Board of Education Regulation 6A-14.54.

Comment: The College's internal fee audit procedures required that after each registration a comparison be made of the fee collection

data with student course enrollment data in order to determine that student's fees were correctly assessed and collected, deferred, or waived. The College performed an internal fee audit after each registration period. However, no fee audit was performed regarding fees assessed and collected at the College's Adult Center (which had separate registration procedures).

Response: Reduction in Business Office staff caused us to discontinue our internal fee audit procedure during 1974-75. However due to our new attendance counting procedures which are based on fees paid, such procedures will necessarily be a part of our 1975-76 year of operation.

Comment: Temporarily idle funds held locally were invested in bank time deposits. Of interest received from the local investment program, the General Current Fund received \$1,687.50 and the Auxiliary Fund received \$375. Interest income earned on undistributed Capital Outlay and Debt Service Funds amounted to \$4,354.04. However, idle funds of between \$60,000 to \$90,000 were available during the fiscal year in the Unexpended Plant Fund which could have been invested and earned interest.

Response: The College presently has invested the idle funds mentioned in the amount of \$50,000.

#### 4. Expenditures

Comment: Salary schedules were adopted for certificated and noncertificated personnel. Contracts were issued to all certificated personnel, and contract amounts were in agreement with those provided by adopted salary schedules. Increments in salary given for experience were properly supported. Payments to noncertificated personnel were within the ranges established

in the Board's adopted salary schedules. My examination of personnel records showed that in several instances payroll deductions for insurance premiums were not supported by signed authorizations of the employee. In addition, loyalty oaths, required by Section 876.05, Florida Statutes, were not on file for some employees.

The Board has established a policy in which no person who earns annual leave shall have an accumulated balance in excess of twenty (20) days at September 1 of each year. Several employees were allowed to accumulate annual leave in excess of the amount established by the Board. Also, several posting and mathematical errors were detected of leave records.

State Program Funds allocated for Staff and Program Development amounted to \$22,825. These funds were allocated in accordance with Section 6A-8.761, Rules of the State Board of Education.

Employees on eleven- and twelve-month contracts were allowed "Good Friday" and the following Monday off as holidays. The Board's policy manual provides for "Good Friday" as a holiday but is silent with respect to the following Monday. Section 6A-8.771, Rules of the State Board of Education requires Board approval for all holidays.

I recommend that:

1. All salary deductions be based upon proper authorizations and approvals.
2. The College adhere to the Board's policy regarding maximum amounts of annual leave that may be accrued.
3. Leave records be periodically verified for posting and mathematical accuracy.
4. Loyalty oaths for all employees be obtained as required by Section 876.05, Florida Statutes.
5. Only Board approved holidays be recognized and taken by employees.

Response: With respect to the recommendations concerning personnel records and procedures, the College agrees to implement the recommendations by December 31, 1975. Recommendations concerning loyalty oaths, authorized deductions, maximum extent of accumulated leave, and verification of leave records have already been accomplished.

5. Educational and General Funds

Comment: The Board participated with the Federal Government in the College Work-Study Program, Library Resources Grant, and various vocational projects. Expenditures of grant funds were generally made in accordance with terms of the grant and kept within program budgets. The Business Office did not participate in any manner in the application process for grants and, in some cases, was unaware that the College had received a grant until the funds were received or an invoice was submitted for payment. I recommend that the Comptroller participate in the formulation of all grant proposals.

Response: Copies of all proposals for Federal funding which are submitted are forwarded to the Comptroller at the time of submission.

6. Auxiliary Fund

Comment: During the period of time when the bookstore operation was under the control of the College, the overall accounting and internal control procedures were inadequate, as follows:

1. The bookstore operated without the benefit of formal policies adopted by the Board.
2. The bookstore manager's duties included ordering merchandise, collecting cash sales and accounts receivable collections, preparing sales tax reports,

depositing collections, and purchasing used books from students.

3. Cash collections were not deposited on a timely basis. Deposits were only made once or twice per month by the bookstore manager.
4. All monies (change fund and cash collection) remained in the cash register at night.
5. Credit sales were made to governmental units, College departments, and instructors. Credit sales were not recorded on prenumbered sales invoices, nor was the signature of the purchaser always required on the invoice (sales ticket). Sales tickets remained with the bookstore manager until payment was made. When paid, the sales ticket was discarded.
6. State sales tax reports were not always filed with the Department of Revenue, while others were filed late, resulting in the College paying a penalty.
7. The bookstore's merchandise inventory of approximately \$12,000 was not recorded on the balance sheet, but was expensed as a part of the cost of sales.

The College's bookstore was essentially a one-person operation. It is generally recognized that providing for an adequate system of internal control in a small business is, at best, very difficult. However, there are certain basic control techniques which may be employed which will strengthen controls considerably. I offer the following recommendations to improve controls over the operations of the College's bookstore:

1. The Board adopt written policies and procedures regarding the operation of the bookstore. The policies should clearly set forth the duties and responsibilities of the bookstore manager and all personnel of the College's



- business office involved with the bookstore's transactions. As many duties as can be practicably removed from the bookstore manager should be so removed, i.e., ordering merchandise, receiving merchandise, depositing collection, etc.
2. A cash register be used with locked-in cumulative totals. An employee other than the bookstore manager should have custody of the keys to such cash register.
  3. All cash should be removed from the bookstore after store hours. Cash collections should be counted, compared with cash register totals, and deposited intact daily.
  4. Prenumbered forms should be used where practicable, for example, sales invoices, purchase orders, receiving reports, and credit memoranda documents. All prenumbered forms should be accounted for.
  5. Receivable records should not be kept by the bookstore manager, but by someone in the College's Business Office.
  6. Financial statements should be prepared monthly. A physical inventory should be taken periodically by someone other than the bookstore manager. Of course, the merchandise inventory should be properly reported as an asset. The gross margin on sales should be calculated and careful comparisons made. Any unusual fluctuations should be investigated.

Response: The Comptroller has been directed to prepare a policy and procedures manual for the operation of the Bookstore which will speak to the deficiencies noted. However, with the Bookstore being a one person operation, complete separation of certain functions which might be desirable is not possible.

Comment: A separate student activity fee was not charged; however, a portion of General Current Fund revenue was budgeted and transferred to the Auxiliary Fund to be used for student activities. I was shown no evidence that a Student Activity Budget for Intercollegiate Athletics and Cheerleaders was submitted and approved by the President as required by Section 6A-8.19(1), Rules of the State Board of Education. Numerous instances were noted of individual activities' expenditures exceeding the amounts available.

Response: Student activities are now budgeted in Fund I and approved by the Board.

Comment: Written policies had not been adopted by the Board regarding admissions sales to athletic and other events. Admission to the athletic events were accounted for by prenumbered ticket forms. These forms were in the custody of the Comptroller, who assigned them out as needed. Accountings were not made by the Comptroller when the unused forms were returned. I recommend that ticket sales be properly reconciled and accounted for.

Response: Procedures have been adopted by the Board authorizing the Comptroller to set fees for College events. Also, an accounting is made to the Comptroller by the Athletic Director after each game.

#### 7. Loan Fund

Comment: Procedures provided for loan authorizations and approvals to be made by the Office of Financial Aid and forwarded to the Business Office for disbursement of funds to the student. Instances were noted in which the authorization form, located in the student's folder in the Business Office, was not

signed by personnel of the Financial Aid Office or by the student. As a result, there was not always proper written assurance that loans made were properly approved. I recommend that procedures be implemented by the Business Office to ensure that authorization forms were properly signed by the Financial Aid Office and the student prior to the time funds are disbursed to the students.

Response: Procedures are now in effect which call for proper authorization by the Financial Aid Office before any funds are disbursed. Notes were signed in the period covered by the audit, but in a few instances the signed copy was retained in the Financial Aid Office and an unsigned copy was sent to the Business Office.

Comment: Poor internal controls over the processing of notes receivable continued to exist because of inadequate separation of duties within the Business Office. Although separation of duties is more difficult to achieve in a small organization, I recommend that the Board review the responsibilities assigned to the personnel in the Business Office and that the function of maintaining subsidiary notes receivable records be maintained by someone independent of the receipting function. Also, individual loan balances did not agree with the amount shown by the control account. I recommend that individual notes be regularly compared with the control account balance and any discrepancies reconciled.

Response: Because there are times when only the Business Manager is present in the Business Office, proper separation of duties cannot be achieved. However, to the extent possible, collections will be handled by other personnel of the office.

The Business Office has been directed to periodically compare individual notes with control account.

8. Scholarship and Endowment Fund

Comment: During the audit period, instances were noted in which the donors of scholarship funds had retained the right to designate the person who will receive the award. These funds should have been accepted as Agency Funds for the use of the designated student.

Response: The Business Office will be notified to move scholarship funds with designated recipients from the Scholarship Fund to the Agency Fund.

9. Agency Fund

None.

10. Unexpended Plant Fund

None.

11. Debt Service Fund

None.

12. Investment in Plant Fund

Comment: Subsidiary ledgers for Buildings and Other Structures and Improvements were not maintained. Property records did not agree with the general ledger control account. I recommend that subsidiary ledgers for Buildings and Other Structures and Improvements accounts be implemented and maintained on a current basis. Property records should be regularly compared to

the general ledger control account and any discrepancies reconciled.

Response: Records from the early years of the College are inadequate for us to fully comply with the recommendation concerning subsidiary ledgers for buildings and other structures and improvements.

Comment: Several items of equipment selected for physical inspection during my audit were loaned out and located off the College's campus. The locations of items were as follows:

1. A bulldozer was located in the country being used by the XX County Road Department.
2. A sprinkler was located at the XX High School.
3. A mower gang was located at the XX Country Club.

I know of no authority for equipment to be loaned out and removed from the College's campus. I recommend that this practice be discontinued and the equipment be returned to the College.

Response: A recommendation has been prepared for the Board which will permit us to loan property which is surplus to our needs to other agencies.

### Iota Community College

#### 1. Fiscal Management

Comment: The Board employed an internal auditor who was under the administrative control of and reported directly to the Dean of Business Affairs. Although audits of some activities had been made, a comprehensive internal audit program had not been established and the internal auditor's services were

partly utilized for accounting rather than auditing functions. The National Association of College and University Business Officers in its publication COLLEGE AND UNIVERSITY BUSINESS ADMINISTRATION, Section 4:4, provides that for maximum effectiveness, especially in cases where the auditor's activities relate to the chief business officer's functions, he must have access to a senior administrator other than the chief business officer--ideally, the President, and that he should not be assigned line or operating responsibilities. Therefore, I recommend that the auditor be relieved of all accounting functions and that he be placed under the administrative control of the President, or his designated chief business officer, with his reports and findings being addressed and concurrently delivered to the President and the Board.

Response: You recommend that the internal auditor be relieved of all accounting functions and that he be placed under administrative control of the President, or his designated chief business officer, with his reports and findings being addressed and concurrently delivered to the President and the Board. Most of the accounting functions performed by the auditor serve a dual purpose, i.e., they accomplish a task which needs performing and they also are a part of his review of procedures and internal control. In accordance with your recommendation, he will be relieved of all pure accounting functions. He will be placed under the administrative control of my designated chief business officer, the Dean of Business Affairs. His reports will be addressed to the Dean of Business Affairs. The Dean of Business Affairs will forward a copy of the audit to the person in charge of the area being audited, with a letter stating

what corrective action, if any, is to be taken. A copy of the audit and the Dean's letter will be sent to the President and the Board.

2. Budgets

None.

3. Revenue

None.

4. Expenditures

Comment: The Board had adopted a position classification specifications manual for nonacademic personnel. A proposed manual for administrative personnel had been prepared and was used as a guideline in employing administrative personnel but had not been approved by the Board. Both manuals had been written using the State Personnel Board's specifications as a base.

Response: In August of 1975 a full-time employee was added to the staff to update the career employees classification system and to revise and establish a classification system for administrative personnel. The District Board of Trustees will be presented the proposal in January/February 1976 for adoption.

Comment: The Board owned 15 automotive vehicles of various types. Nine of these, including the five automobiles furnished to the President and Central Staff Deans, were assigned to various individuals and departments at the Central Administration location, three were assigned to departments at the XXXX campus, and three were assigned to departments at the XXXX campus. Vehicle operation and maintenance cost records on those

vehicles assigned to the Central Administration location, while not formalized, were generally adequate for managerial purposes; however, cost records on those vehicles assigned to the campuses were not adequate. Vehicle trip logs showing places and distances traveled were kept for all vehicles assigned to departments except for two vehicles on the XXXX campus. Although some administrative guidelines existed, the Board had adopted no formal policies authorizing the assignment of vehicles for the exclusive use of individuals.

Response: Departments which have vehicles assigned to them have been notified of the necessity of maintaining vehicle trip logs on each vehicle.

Although the Board has adopted no formal policies authorizing assignment of vehicles for the exclusive use of individuals, they authorized such assignments at the time the vehicles were purchased. If the Board feels a formal policy is needed, one will be developed.

Comment: During the audit period some insurance policies were obtained or were renewed with the same company without the benefit of bids or quotations from other companies. Although the bidding of insurance is not required by law it is good business practice to compare coverages and rates offered by more than one company to obtain the best coverages at the lowest rates available. The Attorney General has stated in opinion No. 058-325 that public policy dictates that insurance must be purchased by public boards without favoritism and should be bought solely on the basis of securing the best insurance protection available to meet the specific need at the least cost to the taxpayer.



Response: During the audit period some insurance policies were renewed without obtaining bids or quotes. We believe that in every case the best insurance was obtained at the least cost. In order to document this, in the future records will be maintained of competitive bids and quotes on insurance purchases.

5. Educational and General Funds

None.

6. Auxiliary Fund

Comment: It is recommended that transfers of accumulated surpluses of other enterprises be made as permitted by Board policy rather than showing negative cash and/or fund balances.

Response: In the future, transfers of cash and fund balances between auxiliary enterprises will be made as permitted by Board policy rather than showing negative cash and/or fund balances.

Comment: Calculations of profit or loss for auxiliary enterprises included allocations of some, but not all, applicable indirect costs. The amounts which were allocated were not based on verifiable data and therefore could not be evaluated. Consequently, it was impossible to appraise the accuracy of either the amounts allocated or the profit or loss calculations. The indirect costs discussed below indicate those which were allocated to auxiliary enterprises and some which were not allocated:

1. The salary and retirement matching cost of one position in the College business office was charged to the bookstore. This was intended as a method of charging indirect costs to the auxiliary, as stated in the Statement

from Audited Official contained in audit report No. XXXX, page 30, response to paragraph 74. The amount charged, however, was not based on objective criteria. No administrative costs were charged to other auxiliary operations.

2. Custodial expenses were allocated at annual rates to the bookstore and food service enterprises based on an average custodial salary and estimates by the Dean of Business Affairs and supervisors of individual enterprises of time required for services to each operation. No custodial expenses were charged to other auxiliary operations because the services rendered were slight.
3. Electrical utility expenses were allocated at annual rates to the bookstore, food service, central duplicating shop and office machine repair shop enterprises. The amounts allocated, however, were based on estimates by the Dean of Business Affairs and supervisors of individual enterprises rather than objective criteria. No electrical utility expenses were charged to the vending and copying machine operation.
4. Other applicable indirect costs which were not allocated to any auxiliary enterprise included utilities other than electrical, insurance premiums for physical plant, burglary and robbery, workmen's compensation, and group life and medical insurance coverage.

I recommend that cost accounting criteria developed through the Program Planning Budgeting System be utilized in developing objective methods of allocating costs of the Institutional Support Program and the Physical Plant Operation and Maintenance Program to auxiliary enterprises.

Response: In 1974-75 objective criteria was used to charge auxiliary enterprises for custodial services, electricity used, administrative costs, and workmen's compensation. Insurance premiums for physical plant, burglary and robbery, group life and medical insurance, and unemployment compensation were not charged. Criteria will be developed in 1975-76 for charging these expenses to auxiliary enterprises.

Comment: Controls over cash sales were adequate at the XXXX and XXXX bookstores but needed improvement at the XXXX bookstore. I recommend that controls such as exist at the other bookstores be placed in effect at the XXXX bookstore including either mechanically numbered or pre-numbered receipts and separation of duties.

Response: A new cash register has been purchased for the XXXX bookstore which should strengthen controls over cash sales. To the extent possible, we will effect a separation of duties for persons working in the XXXX bookstore.

Comment: Expenditures totaling \$10,136.13 were made for scholarships from the student activity accounts rather than establishing appropriate scholarships for this purpose.

Response: The "scholarships" paid from student activity accounts were paid from funds specifically budgeted for this purpose. They were given to students based on the performance of certain duties such as serving as the editor of the College newspaper. They were more in the nature of a waiver of fees for serving in the student activity program. We believe these transactions are properly accounted for in the student activity accounts rather than in the Scholarship Fund.

## 7. Loan Fund

None.

8. Scholarship and Endowment Fund

Comment: In some instances, the donors of scholarships designated the persons to receive the award. These receipts should not be accounted for in the Scholarship Fund but should be accounted for in the Agency Fund for the use of the designated student. Subsequent to the end of the audit period these funds were transferred to the Agency Fund.

Response: As noted by the auditor, donations received by the college for which the donor designates the person to receive the award are now accounted for in the Agency Fund.

9. Agency Fund

None.

10. Unexpended Plant Fund

None.

11. Debt Service Fund

None.

12. Invested in Plant Fund

Comment: The District Board of Trustees delegated its responsibility of approving the disposition of tangible personal property to a property survey committee and only required from the committee an annual report of property disposed of. Chapter 274, Florida Statutes, places the responsibility for approving dispositions of property on the governmental unit that being the governing board. I recommend that the Board amend its policies to provide for its approval of all college property dispositions before such items are removed from the property records.

Response: Your recommendation that the Board amend its policies to provide for its approval of all college property dispositions before such items are removed from the property records will be implemented.

Comment: The College continued to have annual physical inventories of tangible personal property taken by the property custodians, contrary to the Rules of the Office of the Auditor General, promulgated pursuant to Chapter 274, Florida Statutes. This practice does not provide an independent check on the property custodian. It is also contrary to good business practice. I recommend that annual inventories be taken by someone independent of the custodian in order to improve control and comply with the cited regulation.

Response: It has been the responsibility of each budget supervisor (custodian of the property) for taking the annual inventory of tangible personal property although in actual practice the physical inventory is usually made by another employee within each department. Additionally, the property accountant takes the physical inventory of approximately twenty percent (20%) of the property each year.

As discussed with the auditor, our instructions for taking the annual inventory of tangible personal property will be rewritten to specify that someone in each department other than the budget supervisor is to take the actual physical inventory in the future.

#### Theta Community College

##### 1. Fiscal Management

None.

##### 2. Budgets

None.

### 3. Revenue

Comment: Revenue was incorrectly recorded at the time of receipt of cash for Federal projects in the Restricted Current Fund rather than upon the expenditure of funds in accordance with grant terms.

Response: We will defer all revenue not earned at the end of each fiscal year for all Federal Projects.

### 4. Expenditures

Comment: Personnel records and files were generally adequate. With the exception of employees paid on an hourly basis, department heads or other designated persons did not submit certifications that employees were properly entitled to amounts shown on payrolls. I recommend, as a matter of good business practice, that payrolls be supported by signed certifications for all employees.

Response: At present we are attempting to develop a payroll certification that will alleviate this criticism.

Comment: Leave was properly accrued and recorded in accordance with adopted Board policies except that some employees either exceeded the approved rate for accruing leave or accumulated leave beyond the maximum allowable.

Response: We have made adjustments to our leave records for the errors in accruing and accumulation.

### 5. Educational and General Funds

None.

#### 6. Auxiliary Fund

Comment: The athletic account was funded from sales of admission tickets to athletic events. I was unable to verify the accuracy of reported ticket sales due to inadequate controls over admission tickets and lack of Board policy and Rules of the State Board of Education, \$612.50 was transferred from earnings of the athletic account to other funds for athletic scholarships.

Response: Control over ticket sales has been improved during the current fiscal year. Pricing for admission tickets to athletic events is a function of the Athletic Committee.

#### 7. Loan Fund

Comment: Addresses were not available for the makers of approximately 25 percent of all loan notes; therefore, an adequate confirmation of notes receivable could not be made. Improvement was noted over loan accounting and collection procedures. Addresses were available for the makers of loan notes awarded during the audit period.

Response: Presently we are planning to solicit the aid of a reputable collection agency to locate and collect on a number of our older loan accounts.

#### 8. Scholarship and Endowment Fund

Comment: In some instances the donor designated the award recipient. These funds should have been accepted as agency funds for the use of the designated student.

Response: All donor designated awards are now being accounted for in the Agency fund.

9. Agency Fund

None.

10. Unexpended Plant Fund

None.

11. Debt Service Fund

None.

12. Investment in Plant Fund

None.

Eta Community College

1. Fiscal Management

Comment: Internal control over cash needed improvement. The accounting machine operator was at various times performing duties involving cash collections, check writing, bank deposits, and bank reconciliations, and had access to the check signer. Although a complete separation of duties, in some instances, is not feasible because of the size of the accounting staff, it is desirable to provide for some separation of the duties relating to the accounting records and financial transactions.

Response: The first paragraph of the adverse audit findings related to internal control over cash. Changes have been in effect for approximately one year, eliminating the situation whereby the accounting machine operator was also involved in bank reconciliations and bank deposits. The Dean of Administration retains control of the signature plates for checks and the check writer has the plates only during the



time when checks are actually being printed. The fact that this institution is small, with a three person business department, makes complete separation of accounting procedures impossible.

Comment: The June 1974 payroll bank account reconciliation included two checks dated June 30, 1974, totaling \$3,773.36, which were not recorded on the books. My tests of outstanding checks indicated that these checks continued to be shown on the Board's November 1974 bank reconciliation as outstanding checks and that they also continued to be unrecorded on the books. I recommend that the Board determine the status of these checks and take appropriate action to either void or record the amounts on the Board's books.

No Response.

2. Budgets

None.

3. Revenue

Comment: A fee audit comparing fee collection data with student course enrollment data to determine that each student's fees were correctly assessed, collected, and deposited was not performed. I recommend that an audit of this nature be made at the close of registration each term.

No Response.

4. Expenditures

Comment: Salaries were paid according to adopted salary schedules. Although there were no salary schedules for the President; Dean of Administration; Dean of Vocation, Technical,

and Adult Education; Director of Admissions; and Director of Business Services, their salaries were approved by the Board. The Director of Business Services signed a contract annually, while the other administrators had continuing contracts.

Response: Paragraph eight relates to administrative salary schedules. Administrative salary schedule has been developed and approved and is currently being followed.

Comment: Amounts for Staff and Program Development were allocated from the General Current Fund as required by Section 6A-8.761, Rules of the State Board of Education. Expenditures were made from the Restricted Current Fund pursuant to the approved program; however, the allocated funds were never transferred from the General Current Fund to the Restricted Current Fund.

No Response.

Comment: Approved travel authorizations, as required by Section 112.061(3)(a) Florida Statutes, were not on file for travel by College employees. Travel vouchers, however, were approved by department heads before payment and the per diem and mileage payments did not exceed the amounts allowed in Section 112.061, Florida Statutes.

No Response.

Comment: The Board on May 14, 1973, authorized a monthly allowance for the President in the amount of \$100 for district travel. Section 112.061(7)(f), Florida Statutes, which provides for monthly allowances requires the filing by the traveler of a typical month's travel voucher before an allowance is granted. The required typical month's travel voucher for the President was not submitted until June 29, 1974.

No Response.

Comment: The College, in some instances, lost discounts because of failure to make proper payment to vendors. It was also noted that, in some cases, the College made prompt payment but failed to take the earned discount.

No Response.

5. Educational and General Funds

Comment: College Work Study and Basic Educational Opportunity Grants for 1974-75, totaling \$14,789, were improperly recorded and reported as 1973-74 fiscal year activity.

No Response.

Comment: The Payroll Account was accounted for in the General Current Fund. The Payroll Account should be accounted for as part of the Agency Fund.

No Response.

6. Auxiliary Fund

Comment: As noted in the auxiliary enterprises summary, bookstore gross profit amount to \$358.91 or approximately 1 percent of cost of sales. The bookstore manager advised that items were marked up approximately 20 percent. An audit calculation of markup on cost of sales indicates a gross profit of \$8,397.30.

Response: Paragraph sixteen relates to gross profit in the bookstore. Through clerical error, adjustments were not made to reflect purchase returns and/or obsolete books which were not returned to the publisher.

According to the college business manager, this adjustment amounts to \$3,480.88 of the total \$8,397.30 indicated in the audit. A continuing study of the situation will be made until an accounting of the remaining funds is completed.

Comment: The bookstore's accounting system did not provide adequate documentation to assure that all sales were accounted for. The bookstore's cash register did not record transaction numbers. Original sales receipts were not required to be returned when refunds were made; however, the customer was required to sign a refund slip. The functions of daily cash reconciliation, preparing bank deposits, and reconciling bank statements were centralized in one person.

No Response.

Comment: Club and organization activities should have been accounted for in the Agency Fund since these are not Board-owned funds. The auditor's adjustments, from the 1969-70 fiscal year, in the amount of \$894.05 should be recorded in a specific activity account or in an unallocated student activity account.

No Response.

Comment: The student activity budget was prepared by faculty and students, but was not approved by the President as required by Section 6A-8.19(1), Rules of the State Board of Education.

No Response.

7. Loan Fund

None.

8. Scholarship and Endowment Fund

Comment: Several scholarship accounts included in the Scholarship and Endowment Fund should have been accounted for in the Agency Fund since the recipient was designated by the donor.

No Response.

Comment: Three of the scholarship accounts had overdrawn balances at June 30, 1974.

No Response.

9. Agency Fund

None.

10. Unexpended Plant Fund

None.

11. Debt Service Fund

None.

12. Invested in Plant Fund

Comment: Records of the tangible personal property as required in Chapter 274, Florida Statutes, were generally adequate, with the following exceptions:

1. The amount reported on the balance sheet for furniture, machinery, and equipment was not in agreement with the respective property control account.
2. Items valued at \$13,120.40 found to be missing, obsolete or valued under \$25 each were removed from the property records. The value of these items, however, had not been removed from the Invested in Plant accounts shown on the balance sheet.

3. An accounting machine purchased during the audit period was recorded at the net trade-in figure rather than the full invoice price. The trade-in equipment had not been removed from the records.

No Response.

Comment: Subsidiary ledgers for the various plant fund accounts were not complete or maintained in good order. It is recommended that subsidiary ledgers be maintained and periodically reconciled to the general ledger.

No Response.

## REFERENCES

- Accounting manual for Florida's public junior colleges, 1968.  
Tallahassee, Florida: Department of Education, State of Florida, 1968.
- Agnew, Paul C., and Hsu, Francis L. K. Human organization. In Leonard R. Sayles and George Strauss, Human behavior in organizations. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1966.
- Allen, James. In John E. Roueche, Accountability and change in education. Danville, Illinois: The Interstate Printers and Publishers, Inc., 1972.
- American Council on Education. College and university business administration. Washington, D.C.: Author, 1968.
- American Council on Education. Training for college and university business administration, Series III, Financial advisory service. Washington, D.C.: Author, 1973.
- American Institute of Certified Public Accountants. Statement on auditing standards. New York, N.Y.: Author, 1973.
- Banghart, Frank W. Educational systems analysis. Toronto, Canada: The MacMillan Company, 1969.
- Bennis, Warren G. Changing organizations. New York, New York: McGraw-Hill, 1966.
- Bertalanffy, Ludwig Von. Problems of general system theory. In Chris Argyis, Social science approaches to business behavior. Homewood, Illinois: The Dorsey Press, Inc., 1962.
- Boulding, K. E. Conflict and defense. New York, New York: Harper and Row, Publishers, 1962.
- Brasseaux, J. Herman, and Miles, Francis L. The auditor's report. Cincinnati, Ohio: South-Western Publishing Co., 1972.

Brown, Richard. A history of accounting and accountants.  
Edinburgh, Scotland: T. C. and E. C. Jack, 1905.

Butler, Arthur G., Jr. Behavioral implications for professional employees of structural conflict associated with project management in functional organizations. Doctoral dissertation, University of Florida, Gainesville, 1969.

Chambers, M. M. Higher education: who pays? who gains?  
Danville, Illinois: The Interstate Printers and Publishers, Inc., 1968.

Chin, Robert. The utility of system models and developmental models for practitioners. In Warren G. Bennis, Kenneth D. Benne, and Robert Chin (Eds.), The planning of change. New York, New York: Holt, Rinehart, and Winston, Inc., 1969.

Churchman, C. West. The systems approach. New York, New York: Dell Publishing Company, 1968.

College and University Business Administration (Rev. ed.).  
Washington, D.C.: National Association of College and University Business Officers, 1968.

Cost Analysis Manual. Tallahassee, Florida: Division of Community Colleges, 1976.

Deegan, William L., Gripp, Thomas, Johnson, Milo P., and McIntyre, Charles. Community college management by objectives: process, progress, problems. Sacramento, California: California School Boards Association and California Junior College Association, 1974.

Dodwell, Joseph W. Operational auditing: a part of the basic audit. The Journal of Accountancy, 1966, 121(6), 38-39.

Elmore, William. Evolution of responsibilities in the business office. Positive approaches to business management, Conference proceedings, Gainesville, Florida, 1970.



Florida Statutes. 1975, 1, Tallahassee, Florida, 1975.

Fordyce, Joseph W. The business manager in the community college world. Positive approaches to business management, Conference proceedings, Gainesville, Florida, 1970.

Gardner, John W. Self-renewal: the individual and the innovative society. New York, New York: Harper and Row, Publishers, 1963.

Gibson, James L., Ivancevich, John M., and Donnelly, James H., Jr. Organizations: structure, processes, behavior. Dallas, Texas: Business Publications, Inc., 1973.

Goetz, Billy E. Management planning and control, a managerial approach to industrial accounting. New York, New York: McGraw-Hill, 1949.

Gorton, Richard A. Conflict, controversy and crisis in school administration: issues, cases and concepts for the 70's. Dubuque, Iowa: William C. Brown Company Publishers, 1972.

Hearn, Gordon. Theory building in social work. Toronto: University of Toronto Press, 1958.

Johnson, Richard A., Kast, Fremont E., and Rosenzweig, James E. The theory and management of systems. New York, New York: McGraw-Hill, 1963.

Jordan, K. Forbis. School business administration. New York, New York: The Ronald Press Company, 1969.

Kast, Fremont E., and Rosenzweig, James E. Organization and management, a systems approach. New York, New York: McGraw-Hill, 1970.

Kimbrough, Ralph B. Community power systems and strategies for educational change. In Marcella R. Lawler (Ed.), Strategies for planned curricular innovation. New York, New York: Columbia University Teachers College Press, 1970.

Kohler, Eric L. A dictionary for accountants. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1970.

Koontz, Harold, and O'Donnell, Cyril. Principles of management: an analysis of managerial functions. New York, New York: McGraw-Hill, 1968.

Leavitt, H. J. Management according to task: organizational differentiation. Management International, 1962, 1, 13-22.

Lessinger, Leon M. In John E. Roueche, Accountability and change in education. Danville, Illinois: The Interstate Printers and Publishers, Inc., 1972.

Lippitt, Ronald. The dynamics of planned change. New York, New York: Harcourt Brace and Co., 1958.

Litterer, Joseph A. The analysis of organizations. New York, New York: Joseph Wiley and Sons, Inc., 1965.

Maxson, Robert C., and Sistrunk, Walter E. A systems approach to educational administration. Dubuque, Iowa: William C. Brown Company, Publishers, 1973.

McMickle, Peter L., and Elrod, Gene. Auditing public education. Montgomery, Alabama: The AIDE Staff, Alabama Department of Education, 1974.

Meigs, Walter B., Larsen, E. John, and Meigs, Robert F. Principles of auditing (5th ed.). Homewood, Illinois: Richard D. Irwin, Inc., 1973.

Miller, James G. Toward a general theory for the behavioral sciences. American Psychologist, 1955, 10, 515-516.

Miller, V., Madden, G. R., and Kincheloe, J. B. The public administration of American school systems. New York, New York: The MacMillan Company, 1972.

Millman, R. William. A general systems approach to the analysis of managerial functions. Doctoral dissertation, University of Florida, Gainesville, 1962.

- Morphet, Edgar L., Johns, Roe L., and Reller, Theodore L. Educational organization and administration: concepts, practices, and issues. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1959.
- Norgaard, Corinne T. The professional accountants' view of operational auditing. The Journal of Accountancy, 1969, 128(6), 45-48.
- Roueche, John E., Baker, Georga A. III, and Brownell, Richard L. Accountability and the community college, directions for the 70's. Washington, D.C.: American Association of Junior Colleges, 1971.
- Russell, John Dale. The finance of higher education. Chicago, Illinois: The University of Chicago Press, 1967.
- Sayles, Leonard R., and Strauss, George. Human behavior in organization. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1966.
- Scheps, Clarence, and Davidson, E. C. Accounting for colleges and universities. Baton Rouge, Louisiana: Louisiana State University Press, 1971.
- Scott, William B. The management of conflict, appeal systems in organizations. Homewood, Illinois: Richard D. Irwin, Inc., and The Dorsey Press, 1965.
- Silvoso, Joseph A., and Bauer, Royal D. M. Auditing. Cincinnati, Ohio: South-Western Publishing Co., 1965.
- Thomas, John M., and Bennis, Warren G. The management of change and conflict, selected readings. Baltimore, Maryland: Penguin Books, 1972.
- Tidwell, Sam B. Financial and managerial accounting for elementary and secondary school systems. Chicago, Illinois: The Research Corporation Association of School Business Officials, 1974.

Travis, Roger. Personal communication, July 27, 1976.

Wattenbarger, J. L. The role of the community college chief fiscal officer. Peabody Journal of Education, 1972, 49, 279-284.

## BIOGRAPHICAL SKETCH

Herman Roy Andress was born October 3, 1929, in Monroeville, Indiana. He was graduated from Decatur High School, Decatur, Indiana, in 1947. After serving for three years in the U.S. Air Force, he was honorably discharged, and entered International Business College, Fort Wayne, Indiana, as an accounting major. In 1951, he was employed by International Harvester Company, Fort Wayne, Indiana, as a cost accountant.

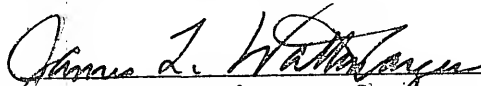
In January, 1965, he continued his postsecondary education at Daytona Beach Junior College, while employed by R. E. Phelan, C.P.A., Daytona Beach, Florida. In June, 1969, he received the degree of Bachelor of Science in Education from the University of Florida, with areas of concentration in accounting, marketing, and management. In June, 1970, he received the degree of Master of Education from the University of Florida, also with areas of concentration in accounting, marketing, and management.

Since July 1, 1970, he has been employed at Santa Fe Community College as an accounting instructor. During this period he has also served the college as an accountant in the business office. Since January of 1972, he has continued graduate study toward the degree of Doctor of Philosophy, with a major in higher education administration.

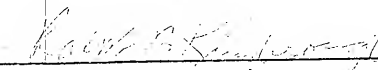
He is married to the former Cecilia Colly of New Smyrna Beach, Florida, and they have one son, Jefferson.

He is a member of Phi Delta Kappa.

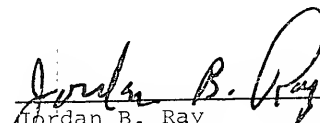
I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

  
James L. Wattenbarger, Chairman  
Professor of Educational Administration & Supervision

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

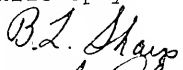
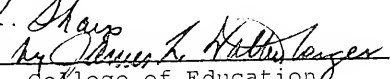
  
Ralph B. Kimbrough  
Professor of Educational Administration & Supervision

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

  
Jordan B. Ray  
Professor of Management

This dissertation was submitted to the Graduate Faculty of the College of Education and to the Graduate Council, and was accepted as partial fulfillment of the requirements for the degree of Doctor of Philosophy.

December 1976

B.L. Sharp  
  
by   
Dean, College of Education

\_\_\_\_\_  
Dean, Graduate School